

COMMUNITY RESIDENCE INSURANCE SAVING  
PLAN SELF-INSURANCE TRUST  
FOR WORKERS' COMPENSATION  
FINANCIAL REPORT  
NOVEMBER 30, 1998

**RECEIVED**  
WORKERS' COMPENSATION BOARD  
MAR 26 1999  
SELF INSURANCE OFFICE



**Marvin** and  
company, p.c.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**COMMUNITY RESIDENCE INSURANCE SAVING  
PLAN SELF-INSURANCE TRUST  
FOR WORKERS' COMPENSATION**

**TABLE OF CONTENTS**

|  | <b>PAGE</b> |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT                     | 1           |
| BALANCE SHEETS                                   | 2           |
| STATEMENTS OF OPERATIONS AND MEMBERS' DEFICIENCY | 3-4         |
| STATEMENTS OF CASH FLOWS                         | 5           |
| NOTES TO FINANCIAL STATEMENTS                    | 6-11        |



# Marvin and company, p.c.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Kevin J. McCoy

Thomas W. Donovan

Frank S. Venezia

Timothy N. O'Connor

Mary Ann Racicot

James E. Amell

Carol A. Hausamann

Benjamin R. Lasher

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Community Residence Insurance Saving Plan  
Self-Insurance Trust for Workers' Compensation

We have audited the accompanying balance sheets of Community Residence Insurance Saving Plan Self-Insurance Trust for Workers' Compensation (the "Trust") as of November 30, 1998 and 1997, and the related statements of operations and members' deficiency 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 generally accepted auditing standards. 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 position of the Community Residence Insurance Saving Plan Self-Insurance Trust for Workers' Compensation as of November 30, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 6, the Trust management believes that it has recorded a liability for unpaid claims and claim adjustment expenses as of November 30, 1998 and 1997 that is reasonable in the circumstances. However, because the Trust does not yet have sufficient historical loss experience to determine whether actual incurred claims and claim adjustment expenses will reasonably conform to the assumptions used in the determination of the estimated liability for unpaid claims and claim adjustment expenses, the ultimate amount of unpaid claims and claim adjustment expenses may vary significantly from the estimated amounts included in the accompanying financial statements.

*Marvin and Company, P.C.*

January 20, 1999

11 British American Blvd.

Latham, NY 12110

Ph: 518-785-0134

Fx: 518-785-0299

30 Jay Street

Schenectady, NY 12305

Ph: 518-377-7406

Email:

[webmaster@marvincpa.com](mailto:webmaster@marvincpa.com)

Web:

<http://www.marvincpa.com>

**COMMUNITY RESIDENCE INSURANCE SAVING PLAN  
 SELF-INSURANCE TRUST FOR WORKERS' COMPENSATION  
 BALANCE SHEETS  
 NOVEMBER 30, 1998 AND 1997**

|   | <b>ASSETS</b>       |                     |
|---|---------------------|---------------------|
|   | <u>1998</u>         | <u>1997</u>         |
| <b>Current Assets</b>   |                     |                     |
| Cash and equivalents  | \$ 193,339          | \$ 736,832          |
| Investments   | 2,285,832           | 1,001,719           |
| Accrued interest receivable   | 23,996              | 24,055              |
| Contributions receivable  | 50,442              | 84,449              |
| Prepaid expenses  | 10,027              | 43,233              |
| Deferred income taxes   | 163,394             | 118,759             |
| Total Current Assets  | <u>2,727,030</u>    | <u>2,009,047</u>    |
| <b>Other Assets</b>   |                     |                     |
| Organization costs, net of accumulated<br>amortization of \$6,000 and \$4,000 | <u>4,000</u>        | <u>6,000</u>        |
| <b>TOTAL ASSETS</b>   | <u>\$ 2,731,030</u> | <u>\$ 2,015,047</u> |
| <b>LIABILITIES AND MEMBERS' DEFICIENCY</b>                                    |                     |                     |
| <b>Current Liabilities</b>  |                     |                     |
| Unearned contributions  | \$ 732,581          | \$ 670,378          |
| Liability for unpaid claims and claim adjustment expenses                     | 2,213,398           | 1,521,210           |
| Accounts payable  | 2,573               | 1,078               |
| Income taxes payable  | 325                 | 97                  |
| Accrued expenses  | 104,399             | 54,331              |
| Total Current Liabilities   | <u>3,053,276</u>    | <u>2,247,094</u>    |
| <b>Members' Deficiency</b>  |                     |                     |
| Unreserved  | (325,830)           | (233,582)           |
| Unrealized gain on investments, net of taxes                                  | 3,584               | 1,535               |
| Total Members' Deficiency   | <u>(322,246)</u>    | <u>(232,047)</u>    |
| <b>TOTAL LIABILITIES AND MEMBERS' DEFICIENCY</b>                              | <u>\$ 2,731,030</u> | <u>\$ 2,015,047</u> |

See accompanying notes to financial statements.

**COMMUNITY RESIDENCE INSURANCE SAVING PLAN  
 SELF-INSURANCE TRUST FOR WORKERS' COMPENSATION  
 STATEMENTS OF OPERATIONS AND MEMBERS' DEFICIENCY  
 FOR THE YEARS ENDED NOVEMBER 30, 1998 AND 1997**

|  | <u>1998</u>      | <u>Percent<br/>Of Total<br/>Income</u> | <u>1997</u>        | <u>Percent<br/>Of Total<br/>Income</u> |
|--|------------------|--|--------------------|--|
| <b>Contributions</b>                         |                  |  |                    |  |
| Contributions written                        | \$ 2,269,168     |  | \$ 2,171,163       |  |
| Less program administration commissions      | (145,265)        |  | (143,899)          |  |
| Less marketing and promotion commissions     | (145,264)        |  | (143,898)          |  |
| Contribution adjustments                     | 55,062           |  | 131,209            |  |
| Net Contributions Written                    | 2,033,701        |  | 2,014,575          |  |
| Change in unearned contributions             | (62,203)         |  | (211,588)          |  |
| Earned Contributions                         | <u>1,971,498</u> |  | <u>1,802,987</u>   |  |
| <b>Other Income</b>                          |                  |  |                    |  |
| Investment income                            | 11,309           |  | -                  |  |
| Realized gain (loss) on sale of investments  | (25,407)         |  | -                  |  |
| Interest income                              | <u>97,792</u>    |  | <u>83,283</u> ✓    |  |
| <b>TOTAL INCOME</b>                          | <u>2,055,192</u> | 100.0                                  | <u>1,886,270</u> ✓ | 100.0                                  |
| <b>Operating Expenses</b>                    |                  |  |                    |  |
| Claims Incurred                              |                  |  |                    |  |
| Claims                                       | 833,422          | 40.6                                   | 471,023            | 25.0                                   |
| Claims reserve                               | 655,000          | 31.9                                   | 829,815            | 44.0                                   |
| Total Claims Incurred                        | <u>1,488,422</u> | <u>72.5</u>                            | <u>1,300,838</u>   | <u>69.0</u>                            |
| Loss adjustment expense                      | 198,510          | 9.7                                    | 143,840 ✓          | 7.6                                    |
| Incurred Claims and Adjustment Expense       | <u>1,686,932</u> | <u>82.2</u>                            | <u>1,444,678</u>   | <u>76.6</u>                            |
| <b>Workers' Compensation Fund Assessment</b> | <u>89,294</u>    | 4.3                                    | <u>40,938</u> ✓    | 2.2                                    |
| <b>Insurance Expense</b>                     |                  |  |                    |  |
| Trust reinsurance                            | 250,500          | 12.2                                   | 352,702            | 18.7                                   |
| Surety bond insurance                        | 12,000           | 0.6                                    | 12,000             | 0.6                                    |
| Directors and officers insurance             | 5,720            | 0.3                                    | 5,196              | 0.3                                    |
| Total Insurance                              | <u>268,220</u>   | <u>13.1</u>                            | <u>369,898</u> ✓   | <u>19.6</u>                            |

See accompanying notes to financial statements.

**COMMUNITY RESIDENCE INSURANCE SAVING PLAN  
 SELF-INSURANCE TRUST FOR WORKERS' COMPENSATION  
 STATEMENTS OF OPERATIONS AND MEMBERS' DEFICIENCY  
 FOR THE YEARS ENDED NOVEMBER 30, 1998 AND 1997**

|  | <u>1998</u>         | <u>Percent<br/>Of Total<br/>Income</u> | <u>1997</u>         | <u>Percent<br/>Of Total<br/>Income</u> |
|--|---------------------|--|---------------------|--|
| <b>General and Administration</b>  |                     |  |                     |  |
| Actuarial services   | \$ 18,000           | 0.9                                    | \$ 16,667           | 0.9                                    |
| Legal  | 16,321              | 0.8                                    | 12,000              | 0.6                                    |
| Accounting and auditing  | 11,726              | 0.6                                    | 10,171              | 0.5                                    |
| Loss control service   | 30,000              | 1.5                                    | 30,000              | 1.6                                    |
| Workers' compensation audits   | 12,232              | 0.6                                    | 8,994               | 0.5                                    |
| Interest   | 8,334               | 0.4                                    | 10,586              | 0.6                                    |
| Amortization   | 2,000               | 0.1                                    | 2,000               | 0.1                                    |
| Letter of Credit expense   | 3,000               | 0.1                                    | 1,813               | 0.1                                    |
| Trust and investment administration  | 17,908              | 0.9                                    | 9,555               | 0.5                                    |
| Printing   | 5,036               | 0.2                                    | 3,332               | 0.2                                    |
| Loss control seminars  | 6,209               | 0.3                                    | -                   | -                                      |
| Office expense   | 624                 | -                                      | 67                  | -                                      |
| Dues and subscriptions   | 1,000               | -                                      | -                   | -                                      |
| Licenses, permits and fees   | 1,385               | 0.1                                    | 230                 | -                                      |
| Trustee meeting expense  | 965                 | -                                      | 1,213               | 0.1                                    |
| Total General and Administration   | <u>134,740</u>      | <u>6.5</u>                             | <u>106,628</u>      | <u>5.7</u>                             |
| <br>   |                     |  |                     |  |
| Total Operating Expenses   | <u>2,179,186</u>    | <u>106.1</u>                           | <u>1,962,142</u>    | <u>104.1</u>                           |
| <br>   |                     |  |                     |  |
| <b>Loss From Operations Before<br/>Benefit From Income Taxes</b>                 | <u>(123,994)</u>    | <u>(6.1)</u>                           | <u>(75,872)</u>     | <u>(4.1)</u>                           |
| <br>   |                     |  |                     |  |
| Benefit From Income Taxes  | <u>(31,746)</u>     | <u>(1.5)</u>                           | <u>(100,453)</u>    | <u>(5.3)</u>                           |
| <br>   |                     |  |                     |  |
| <b>NET INCOME (LOSS)</b>   | <u>(92,248)</u>     | <u>(4.6)</u>                           | <u>24,581</u>       | <u>1.2</u>                             |
| <br>   |                     |  |                     |  |
| Members' Deficiency, Beginning of Year   | (232,047)           |  | (258,163)           |  |
| <br>   |                     |  |                     |  |
| Unrealized Gain on Investments,<br>Net of Tax of \$(791) and \$791, respectively | <u>2,049</u>        |  | <u>1,535</u>        |  |
| <br>   |                     |  |                     |  |
| <b>Members' Deficiency, End of Year</b>  | <u>\$ (322,246)</u> |  | <u>\$ (232,047)</u> |  |

See accompanying notes to financial statements.

**COMMUNITY RESIDENCE INSURANCE SAVING PLAN  
 SELF-INSURANCE TRUST FOR WORKERS' COMPENSATION  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED NOVEMBER 30, 1998 AND 1997**

|  | <u>1998</u>        | <u>1997</u>       |
|--|--------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>  |                    |                   |
| Net income (loss)  | \$ (92,248)        | \$ 24,581         |
| Adjustments to reconcile net income (loss) to<br>net cash provided by operating activities |                    |                   |
| Amortization of organization costs   | 2,000              | 2,000             |
| Amortization of discount on investments  | -                  | (315)             |
| Realized loss on sale of investments   | 25,407             | -                 |
| Deferred income taxes  | (44,636)           | (119,550)         |
| (Increase) decrease in assets:   |                    |                   |
| Accrued interest receivable  | 59                 | (19,712)          |
| Contributions receivable   | 34,007             | (55,910)          |
| Prepaid expenses   | 33,206             | (6,862)           |
| Increase (decrease) in liabilities:  |                    |                   |
| Unearned contributions   | 62,203             | 211,588           |
| Liability for unpaid claims<br>and claim adjustment expenses                               | 692,188            | 830,045           |
| Accounts payable   | 1,495              | (104,136)         |
| Income taxes payable   | 228                | (236)             |
| Accrued expenses   | 50,068             | 30,434            |
| Net Cash Provided By Operating Activities  | <u>763,977</u>     | <u>791,927</u>    |
| <b>Cash Flows From Investing Activities</b>  |                    |                   |
| Purchase of investments  | (2,848,470)        | (1,099,078)       |
| Proceeds from sale of investments  | 1,541,000          | 100,000           |
| Net Cash Used By Investing Activities  | <u>(1,307,470)</u> | <u>(999,078)</u>  |
| <b>Net Decrease in Cash</b>  | (543,493)          | (207,151)         |
| Cash and Equivalents, Beginning of Year  | <u>736,832</u>     | <u>943,983</u>    |
| <b>Cash and Equivalents, End of Year</b>   | <u>\$ 193,339</u>  | <u>\$ 736,832</u> |
| <b>Supplemental Disclosures:</b>   |                    |                   |
| Interest paid  | <u>\$ 8,334</u>    | <u>\$ 10,586</u>  |
| Income taxes paid  | <u>\$ 18,897</u>   | <u>\$ 19,333</u>  |
| <b>Non-Cash Transactions:</b>  |                    |                   |
| Unrealized gain on investments   | <u>\$ 1,258</u>    | <u>\$ 2,325</u>   |

See accompanying notes to financial statements.

**COMMUNITY RESIDENCE INSURANCE SAVING PLAN  
SELF-INSURANCE TRUST FOR WORKERS' COMPENSATION  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 1998 AND 1997**

**1. DESCRIPTION OF THE TRUST**

**A. *Reporting Entity and Nature of Operations***

The Community Residence Insurance Saving Plan (CRISP) Self-Insurance Trust for Workers' Compensation (the Trust) was established October 31, 1995 and became operational on December 15, 1995. The Trust was established pursuant to the provisions of Subdivision 3-a of Section 50 of the Workers' Compensation Law. The Trust is governed by a Trust Agreement administered by a Board of Trustees, consisting of seven Trustees. The Trust receives the majority of its revenue from member contributions. Membership in the Trust is open to employers engaged in providing community services who are financially solvent; have an expected loss rate within set parameters; satisfy all other requirements of the Trust's excess carrier(s) and the Workers' Compensation Board of the State of New York and adhere to the safety policies and practices of the Trust. Voluntary termination of membership may only occur on the anniversary date of such membership. Upon termination of membership, such member shall remain liable for any and all dues and assessments applicable during any period during which the member was a participant in the Trust. During the year ended November 30, 1998 and 1997, approximately 135 and 120 community service providers, respectively, participated in the Trust.

**B. *Purpose of the Trust***

The Trust was established for the purpose of meeting and fulfilling an employer's obligations and liabilities under Article 2 of the Workers' Compensation Law which provides for Workers' Compensation coverage and benefits; to form an overall Self-Insurance Trust pursuant to such Law, to provide maximum allowable advance discounts on contribution payments made by employers for Workers' Compensation coverage; and to minimize the cost of providing Workers' Compensation coverage by developing and refining specialized claim services and a loss prevention program for employers offering community services. A Program Administrator is employed by the Trust.

**C. *Plan Benefits***

Workers' compensation benefits are provided by the Trust and administered under contract with the Trust's administrator. The Trust also has specific excess workers' compensation and employers' liability indemnity coverage. Under the excess workers' compensation policy, the retained limit for workers' compensation coverage is \$250,000 per accident and per employee. In addition, the Trust's losses in excess of the greater of 100% of the trust contribution amount or the minimum loss fund amount of \$2,500,000, in the aggregate, will be covered by the specific and aggregate workers' compensation insurance. Under the Employers' Liability policy, the limit is \$1,000,000 in the aggregate per policy year. The Trust pays annual premiums for the insurance coverage. Fees for claims administration are based on the number of claims incurred and are included in claims adjustment expenses.

**COMMUNITY RESIDENCE INSURANCE SAVING PLAN  
SELF-INSURANCE TRUST FOR WORKERS' COMPENSATION  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 1998 AND 1997**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Contributions Earned**

Contributions are billed to the members based on experience ratings and estimated covered payrolls of the participating members. Contributions are considered short-duration contracts and revenue is recognized as earned ratably over the coverage period and the balance is recorded as unearned contributions. No final adjustment has been made in these financial statements for the difference between estimated contributions and contributions calculated based on audited payrolls of the members. Such final adjustments will be made prospectively upon completion of such audits.

**B. Unpaid Claims Liability**

The Trust establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the nature of the claim. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

**C. Reinsurance**

The Trust uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust and the members as direct insurer of the risks reinsured. To the extent that the reinsurance company should be unable to meet its obligations under the existing agreements, the Trust would be liable for such defaulted amounts. The Trust does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. No amount was deducted from claims liabilities as of November 30, 1998 and 1997 for reinsurance.

**D. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant estimate included in these financial statements is the liability for unpaid claims and claim adjustment expenses.

**COMMUNITY RESIDENCE INSURANCE SAVING PLAN  
 SELF-INSURANCE TRUST FOR WORKERS' COMPENSATION  
 NOTES TO FINANCIAL STATEMENTS  
 NOVEMBER 30, 1998 AND 1997**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**E. Cash and Equivalents**

For financial statement purposes, all highly liquid investments are considered cash equivalents.

**F. Investments**

The Trust reports investments in debt and equity securities at fair value.

**G. Accounting Method**

The financial statements of the Trust have been prepared on the accrual basis of accounting.

**3. CASH AND EQUIVALENTS**

At November 30 cash and equivalents consists of:

|  | <u>1998</u>       | <u>1997</u>       |
|--|-------------------|-------------------|
| Cash   | \$ 36,208         | \$ (6,918)        |
| Chase Manhattan Bank Investment Portfolio - Money Market Funds | 72,521            | 743,750           |
| Merrill Lynch  | <u>84,610</u>     | <u>-</u>          |
| Total Cash and Equivalents                                     | <u>\$ 193,339</u> | <u>\$ 736,832</u> |

**4. CONCENTRATION OF CREDIT RISK**

At November 30, 1998 and 1997 the Trust had \$72,521 and \$743,750 invested in money market accounts with Chase Manhattan Bank and \$84,610 and \$-0- invested in money market accounts with Merrill Lynch. These balances were subject to credit risk.

**5. INVESTMENTS**

Investments are classified as available for sale.

Investments at November 30, 1998 consist of:

|                   | <u>Cost</u>         | <u>Market</u>       | <u>Unrealized<br/>Gain<br/>(Loss)</u> |
|-------------------|---------------------|---------------------|---------------------------------------|
| Debt Securities   | \$ 1,759,882        | \$ 1,775,306        | \$ 15,424                             |
| Equity Securities | 522,366             | 510,526             | (11,840)                              |
|                   | <u>\$ 2,282,248</u> | <u>\$ 2,285,832</u> | <u>\$ 3,584</u>                       |

Investments at November 30, 1997 consists of:

|                 |                   |                    |                 |
|-----------------|-------------------|--------------------|-----------------|
| Debt Securities | <u>\$ 999,394</u> | <u>\$1,001,719</u> | <u>\$ 2,325</u> |
|-----------------|-------------------|--------------------|-----------------|

**COMMUNITY RESIDENCE INSURANCE SAVING PLAN  
 SELF-INSURANCE TRUST FOR WORKERS' COMPENSATION  
 NOTES TO FINANCIAL STATEMENTS  
 NOVEMBER 30, 1998 AND 1997**

**6. LIABILITY FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES**

Liabilities for reported claims and incurred but not reported claims are estimated by the Trust with input from consulting actuaries. The Trust's policy is to establish reserves for losses for reported claims on a case basis and for incurred but not reported claims on a basis of historically established industry statistical data and the Trust's own historical experience.

Since the Trust was organized in 1996, sufficient historical claims experience does not exist to support its estimate of amounts ultimately payable for future claims incurred as of November 30, 1998 and 1997. The outside actuary firm provided a high, best estimate and low range of future claims incurred, on both a discounted and non-discounted basis. These estimates range from a low of \$1,940,000 to a high of \$2,370,000 for 1998 and a low of \$1,090,000 to a high of \$1,650,000 for 1997. The Board of Trustees elected to use the more conservative non-discounted best estimate of \$2,213,398 and \$1,521,210 for 1998 and 1997, respectively, in arriving at estimated future claims incurred. Management believes these amounts fairly present the liability for estimated future claims based upon current assumptions and levels of activity.

At November 30 the liability for unpaid claims and claims adjustment expenses consists of:

|   | <u>1998</u>             | <u>1997</u>             |
|---|-------------------------|-------------------------|
| Liability for known claims  | \$ 834,604              | \$ 586,230              |
| Liability for incurred but not reported claims                          | <u>1,378,794</u>        | <u>934,980</u>          |
| <br>Total Liability for Unpaid Claims and<br>Claims Adjustment Expenses | <br><u>\$ 2,213,398</u> | <br><u>\$ 1,521,210</u> |

**7. INCOME TAXES**

The provisions for federal income tax differs from the amount of income tax determined by applying the federal statutory rate to pre-tax income. The differences are primarily due to certain expenses deductible for financial reporting purposes that are not deductible for tax purposes and certain revenue deferred for financial reporting purposes that are recognized as revenue for tax purposes.

**COMMUNITY RESIDENCE INSURANCE SAVING PLAN  
 SELF-INSURANCE TRUST FOR WORKERS' COMPENSATION  
 NOTES TO FINANCIAL STATEMENTS  
 NOVEMBER 30, 1998 AND 1997**

**7. INCOME TAXES**

Benefit from income taxes consists of the following:

|                                 | <u>1998</u>        | <u>1997</u>        |
|---------------------------------|--------------------|--------------------|
| Current                         |                    |                    |
| Federal                         | \$ 11,774          | \$ 18,772          |
| State                           | <u>325</u>         | <u>325</u>         |
| Total Current Income Tax        | <u>12,099</u>      | <u>19,097</u>      |
| Deferred                        |                    |                    |
| Federal                         | <u>(44,636)</u>    | <u>(118,759)</u>   |
| Total Benefit From Income Taxes | <u>\$ (32,537)</u> | <u>\$ (99,662)</u> |
| Accounted for as follows:       |                    |                    |
| Benefit from income taxes       | \$ (31,746)        | \$ (100,453)       |
| Offset unrealized gain          | <u>(791)</u>       | <u>791</u>         |
| Benefit From Income Taxes       | <u>\$ (32,537)</u> | <u>\$ (99,662)</u> |

Differences between the provision for income tax expense at statutory income tax rates and the provision in the statement of operations and members' deficiency follows:

|   | <u>1998</u>        | <u>1997</u>        |
|---|--------------------|--------------------|
| Provision at federal statutory rate                                   | \$ (42,158)        | \$ (25,797)        |
| Benefit of net operation loss carryforward                            | -                  | (15,620)           |
| Deferred revenue adjustment   | -                  | (31,198)           |
| Liability for unpaid claims and claims adjustment expenses adjustment | 12,868             | (16,303)           |
| Other   | (382)              | (110)              |
| State tax   | 325                | 325                |
| Capital loss  | 8,639              | -                  |
| Difference in rates   | (11,038)           | (11,750)           |
| Unrealized gain on investment adjustment                              | <u>(791)</u>       | <u>791</u>         |
| Benefit From Income Taxes   | <u>\$ (32,537)</u> | <u>\$ (99,662)</u> |

**COMMUNITY RESIDENCE INSURANCE SAVING PLAN  
 SELF-INSURANCE TRUST FOR WORKERS' COMPENSATION  
 NOTES TO FINANCIAL STATEMENTS  
 NOVEMBER 30, 1998 AND 1997**

**7. INCOME TAXES**

***Deferred Tax Assets***

Financial accounting presentation requirements and tax basis regulations result in differences between the basis of certain assets and liabilities for financial reporting purposes and tax purposes. The tax effects of these differences, to the extent they are temporary, are recorded as deferred tax assets and liabilities under SFAS 109, and consist of the following:

|  | <u>1998</u>       | <u>1997</u>       |
|--|-------------------|-------------------|
| Deferred revenue   | \$ 49,816         | \$ 45,586         |
| Liability for unpaid claims and claims adjustment expenses | <u>113,578</u>    | <u>73,964</u>     |
| Deferred Tax Asset   | 163,394           | 119,550           |
| Less deferred tax liability                                | -                 | (791)             |
| Net Deferred Tax Asset                                     | <u>\$ 163,394</u> | <u>\$ 118,759</u> |

**8. LETTER-OF-CREDIT**

The Trust has a \$300,000 irrevocable letter of credit with Chase Manhattan Bank, N.A. which was issued on June 15, 1996 and currently expires on June 15, 1999. The letter-of-credit can be automatically extended without amendment for successive one year periods, subject to approval by Chase Manhattan Bank, N.A. The Trust incurred letter of credit charges of \$3,000 and \$1,813 during the year ended November 30, 1998 and 1997, respectively.

**9. COMMITMENTS AND CONTINGENCIES**

The Trust has entered into a participation agreement with each member to provide risk management services, workers' compensation and employer's liability coverage. The agreement stipulates, among other things, that each member is jointly and severally liable for the workers' compensation and employer's liability obligations of the Trust and its members which were incurred during the member's period of membership in the Trust, irrespective of the subsequent termination of the membership in the Trust, the insolvency or bankruptcy of another member of the Trust, or other facts or circumstances. Accordingly, the financial viability of the Trust is contingent upon the financial viability of the individual members.



The Program Specialists

March 25, 1999

Ms. Suzanne Lengio, Director  
NYS Workers' Compensation Board  
Self-Insurance Office  
20 Park Street, Room 201  
Albany NY 12207

Re: Community Residence Insurance Saving Plan Self-Insurance Trust

Dear Ms. Lengio,

Please find enclosed the audited financial statement for the Community Residence Insurance Saving Plan (CRISP) Self-Insurance Trust for the period ending November 30, 1998.

We will be preparing an Annual Report and we will forward copies for your records when it is published.

If you have any questions or require any additional information, please give me a call.

Yours truly,

Thomas B. Arney  
Program Administrator  
President

**RECEIVED**  
WORKERS' COMPENSATION BOARD  
MAR 26 1999  
SELF INSURANCE OFFICE