



The Southern California Schools Voluntary Employees Benefits Association

...you're counting on us!

2007-2008 ANNUAL REPORT

...you're counting on us!

SOUTHERN CALIFORNIA SCHOOLS VEBA — 2007-2008 ANNUAL REPORT

A Message from the Board of Directors

In this time of economic turbulence, the need for the Southern California Schools Voluntary Employees Benefits Association (the VEBA), with its bargaining power and leading-edge initiatives, is at an all-time high.

Today, the costs for most goods and services are rising — and that includes health care. Some of the top drivers of health care cost in Southern California are:

- Increased rates of chronic illness, driving up hospital use and expensive drug treatments
- Patients who don't keep up with preventive care, leading to more acute conditions that are expensive to treat
- Doctors and other health care providers raising prices from 4% to 8% annually
- Healthy employees opting out of medical coverage for cash
- Stress from school environment leading to increased use of health services, medications and counseling.

With these challenges, our members are counting on us more than ever. In response, the VEBA has continued to make a difference in the lives of our 84,000 members and families by controlling costs and offering leading-edge resources that enhance the quality of health care. We continue to deliver “the VEBA advantage” to our districts and associations:

- Purchasing power
- Access to quality health care providers
- Stability and consistency in benefits and costs
- Quality services and resources designed to help members control their health care experience and live healthier lives.

We are proud of the VEBA's accomplishments, and we are eager to build on our growing momentum in the years ahead. Please read on for more information on the programs and initiatives we launched in 2007 and 2008.

The VEBA: Delivering Quality You Can Count On

The Southern California Schools Voluntary Employees Benefits Association (the VEBA) was founded in 1993 to establish, through the cooperative efforts of school employers and school employee unions, a comprehensive health and benefits program for every eligible school employee in Southern California at the most efficient cost achievable through unity of design, purchase, and administration.

Today, our mission is still at the heart of everything we do. Our history and our goals for the future demonstrate our ongoing focus on our top priorities: controlling health care costs, encouraging wellness among our members and enhancing our customer service.



A handwritten signature in black ink that reads "Edward Nelson".

Edward Nelson
Superintendent, Escondido Union
High School District
VEBA Board Co-Chair



A handwritten signature in black ink that reads "Steven Kaplan".

Steven A. Kaplan
UniServ Field Organizer,
San Diego Education Association
VEBA Board Co-Chair

VEBA Highlights

We've Successfully Managed Costs

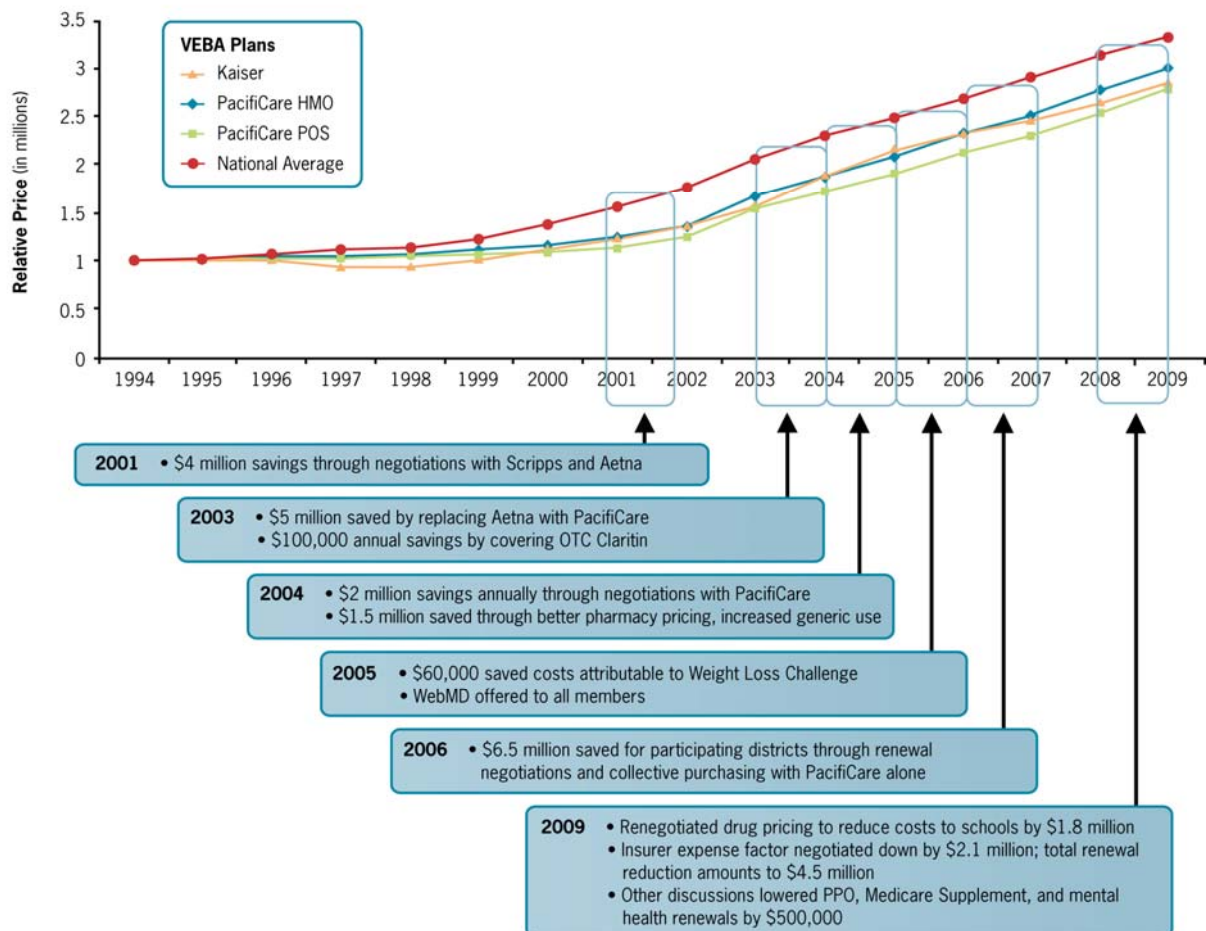
The VEBA has managed cost increases to below national and state averages. Over the last five years, the value of collective benefits purchasing through the VEBA versus districts and associations independently buying benefits approaches \$50 million. We contain costs through strict provider management, innovative design and care management initiatives.

For example, in 2006, we found that the Scripps Clinic medical group was charging 50 percent more for services from its providers for the same level of care as provided by other medical groups. Scripps Clinic was unwilling to accommodate the VEBA's request to price its services competitively with other providers in

San Diego. Because we believed it was unfair to pass on to all members the cost increases imposed by a single medical group affecting a small portion (about 6,800 members) of the total VEBA membership, we limited access to Scripps Clinic providers starting in 2007, while providing affected members with resources to help with the transition to a new provider. As a result, health care costs to districts and employees have been reduced by an estimated \$4.5 million to \$5 million annually.

In 2008 alone, the VEBA renegotiated prescription drug pricing to reduce costs to schools by \$1.8 million for the 2009 plan year. Our negotiations with insurance carriers resulted in total savings of \$4.5 million for the 2009 renewal. The following chart shows how much money the VEBA has saved members over the years.

The VEBA Saves Members Money



How the VEBA Addresses Rising Health Care Costs

- The VEBA uses its large size and leverage to negotiate with insurers for better rates.
- By creating a single purchasing pool, the VEBA keeps administrative expenses to a competitive level.
- VEBA-provided resources such as the Health and Fitness Challenge, Employee Assistance Program, Best Doctors®, WebMD Personal Health Manager™ and Medco's RationalMed™ program encourage VEBA members to maintain healthy lifestyles, keep up with preventive care and seek help when they need it.
- The VEBA aligns itself with quality health care partners, such as the California Health Care Coalition (CHCC), California Public Employers Employees Health Care Coalition (CPEEHCC), and LeapFrog to continually explore innovative long-term and short-term cost-management solutions that are strategic and proactive.

We've Added New Wellness Resources

The VEBA Advocacy Programs

In the spring of 2007, we launched the VEBA Advocacy Programs, a resources, education and support function. The mission of the VEBA Advocacy Programs is to provide resources and information that empower VEBA members to make informed decisions about their health care and lifestyle choices, as well as assist members in obtaining appropriate health care information and services at the right time, at the right place, and at the right price.

By contacting the VEBA Advocacy Programs, members can:

- Learn about the relationship between lifestyle, health and quality of life
- Take control of their health and medical treatment
- Experience fewer disruptions to work and personal life due to health issues
- Know what to expect in health care situations
- Make informed health care decisions.

Services and resources offered by the VEBA Advocacy Programs include:

- Best Doctors: Provides medical case review from the world's leading medical experts for members diagnosed with a serious, complex, or rare medical condition who want advice from an internationally renowned specialist
- WebMD Personal Health Manager (customized for VEBA members): The HealthQuotient™ risk assessment identifies

members' unique health needs and provides personalized support to help them achieve an optimal level of health (*Note: This offering was replaced by resources available through Kaiser and PacifiCare effective January 1, 2009.*)

- Health and Fitness Challenge Series: An ongoing series of eight "mini" challenges designed to encourage VEBA members to adopt and sustain healthier lifestyles. For more information, see the "Health and Fitness Challenge Series" section, below
- Other healthy living resources: Members can stop by the VEBA Advocacy Programs office for information and resources on maintaining their health
- Advocacy services: Members may also call the VEBA Advocacy Programs office if they have questions about their rights as patients, or if they need help or more information to resolve an issue with their health plan insurance company.

Health and Fitness Challenge Series

In an ongoing effort to support districts' and associations' efforts to encourage healthy living among their employees, the VEBA Advocacy Programs introduced the Health and Fitness Challenge, an ongoing series of eight "mini" challenges. Each challenge is designed to promote a healthy behavior (or put an end to an unhealthy behavior). The series began in April 2008 with a pilot Nutrition Challenge designed just for San Diego Community College District. Next was the widely-offered Walking Challenge in September 2008, a resounding success with more than 2,250 participants across 32 districts and associations. More than 200 of the Walking Challenge participants also enrolled in the high-risk health coaching service, which has identified such conditions as heart problems, high blood pressure, joint and muscle pain, diabetes and respiratory problems, so that participants can begin (or continue) to effectively manage those conditions.

Future challenges include:

2009

- Strength Challenge: February through April
- Healthy Living Challenge: June and July

- Stair Climbing Challenge: September through November

2010

- Weight Loss Challenge
- Stress Management Challenge

We Develop Leading-Edge Communications

The VEBA has always striven to develop timely, user-friendly communications materials to educate members about their benefits and the many resources offered by the VEBA. In 2007-2008, we continued to deliver on this commitment:

- New “Making a Difference for You” brochure to explain the VEBA’s history, mission, achievements and resources
- Brochures, flyers and web page development for the VEBA Advocacy Programs
- Time- and money-saving templates for annual enrollment materials, such as a benefits decision guide, enrollment presentation and a variety of reminder postcards and flyers, designed in the VEBA brand and easily customized by each district
- Comprehensive and easy-to-understand information packages about retiree medical coverage and out-of-area dependent coverage
- A special issue of the *Focus* newsletter, introducing the new superintendent of schools and the VEBA Advocacy Programs
- Monthly newsletter articles on a relevant wellness- or benefits-related topic
- Regular emails to VEBA leadership, alerting them to important events or updates at VEBAonline.com
- Continued enhancements, such as the addition of a Leadership Resource Center, to VEBAonline.com (please see the “VEBAonline” section for more information).

Our communications have also been professionally recognized. In 2007, the International Association of Business Communicators awarded a Gold Quill award to the VEBA for our

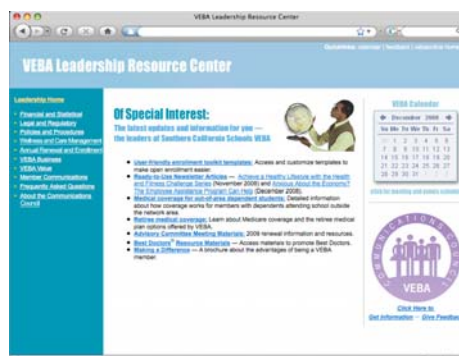
communications campaign for the launch of the Best Doctors program.

VEBAonline

The VEBA’s web site, www.vebaonline.com, houses benefits information for each district, electronic copies of all communication, contact information for our insurance carrier partners and information about all VEBA resources, such as the VEBA Advocacy Programs. To keep the site relevant for our members, we update the content on at least a monthly basis, and sometimes more frequently. We are also constantly thinking of ways to make the site more useful. To that end, we have made the following enhancements in the last two years:

- Added the Leadership Resource Center, a log-in-only section of the site designed for VEBA leadership; the Leadership Resource Center houses the latest benefits information and resources, such as ready-to-use annual enrollment communications, as well as the VEBA’s trust documents
- Added new sections for the VEBA Advocacy Programs and the Health and Fitness Challenge Series
- Redesigned the home page to make important sections of the site easier to find at a glance.

In 2009, we will be adding two powerful tools to VEBAonline. One is a member service portal that will allow districts and association staff to resolve member issues and access custom reports for their district. The second is a self-service portal that offers automated tools for COBRA administration.



We Always Make Service a Priority

Providing excellent service to our participating districts and associations is a top VEBA priority. In the last two years, we have introduced:

- The Communications Council, formed as a direct result of feedback received during leadership interviews in early 2007; the Communications Council is a group of VEBA leaders dedicated to providing timely, useful and accurate information about VEBA benefits and programs to their leadership peers on a regular basis
- The Leadership Resource Center section of VEBAonline, a special log-in-only section for VEBA leadership
- The VEBA ombudsman, Bob Whiting, who reaches out to each district and association on a regular basis to meet customers, obtain feedback, assist with the implementation of new programs, facilitate innovative quality initiatives and enhance communication between the VEBA trust and all of its members and their families
- The VEBA Reach Out Team, composed of dedicated individuals (including the VEBA Ombudsman) who distribute timely, useful, and accurate information about VEBA benefits and programs
- Dependent eligibility audit services to help districts and associations enforce and educate members about dependent eligibility rules
- Annual COBRA and other training seminars.

As we receive feedback from our members and leadership at our districts and associations, we will continue to introduce new service enhancements.

VEBA Is A Partnership

Providers

The VEBA establishes partnerships in the community with providers and provider organizations that have a commitment to quality health care services. "Quality" means maintaining a high level of member satisfaction

in delivering care and measuring outcomes of care.

Kaiser Permanente

Kaiser Permanente California Division, of the two high-quality VEBA medical plan options, focuses on quality and patient satisfaction.

PacifiCare, a UnitedHealthcare company

PacifiCare, the other VEBA medical plan option, is an industry leader in quality measurement.

Medco

Medco Health Solutions, Inc. provides prescription drug benefits to PacifiCare plan members.

PacifiCare Behavioral Health

PacifiCare Behavioral Health is the mental health care vendor for PacifiCare plan members.

American Specialty Health Plans of California

American Specialty Health Plans designed a chiropractic and acupuncture benefit program especially for VEBA members. The benefit is available to both Kaiser Permanente and PacifiCare plan members.

Vision Service Plan (VSP)

VEBA provides its members comprehensive vision coverage through VSP.

Aetna

Aetna Group Life Insurance provides life insurance coverage for VEBA members.

Delta Dental Plan of California

Dental protection, provided through programs from Delta Dental Plan of California, is an important part of the VEBA benefits package.

Best Doctors

Best Doctors provides members with insight and information about their diagnosis and treatment options when faced with a serious medical problem.

Healthy Adventures Foundation

Healthy Adventures Foundation is a non-profit organization that provides support services for the VEBA Health and Fitness Challenge programs, including health coaching for high risk members.

WebMD

Provides the WebMD Personal Health Manager to help members assess their health and take steps to improve or maintain their wellness. *(Note: This offering was replaced by resources available through Kaiser and PacifiCare effective January 1, 2009.)*

Towers Perrin

Towers Perrin is an independent global consulting and actuarial firm that provides benefits and communications consulting services to the VEBA.

Members

Total participation in the VEBA includes 31 districts and associations through 2007 and 2008. The trust serves both members and their dependents, totaling more than 84,000 members.

- Garvey School District
 - Jamul-Dulzura Union School District
 - Julian Elementary School District
 - Lakeside Union School District
 - Lemon Grove School District
 - Memorial Academy Charter District
 - Mountain Empire Unified School District
 - National School District
 - San Diego Community College District
 - San Diego County Office of Education
 - San Diego Unified School District
 - San Dieguito Union High School District
 - San Marcos Unified School District
 - San Ysidro School District
 - Santee School District (discontinued in 2009)
 - Solana Beach School District
 - South Bay Union School District
 - Spencer Valley School District
 - Sweetwater Union High School District
 - Vallecitos School District
- Alpine Union School District
 - American Federation of Teachers
 - Bonsall Union School District
 - Cajon Valley Union School District
 - Chula Vista Elementary School District (Certificated / CVE only in 2009)
 - Coronado Unified School District
 - Darnall Charter School District
 - Dehesa School District
 - El Monte Union High School District
 - Escondido Union High School District
 - Fallbrook Elementary School District



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southern California Schools
Voluntary Employees Benefits Association

We have audited the accompanying statements of net assets available for benefits of the Southern California Schools Voluntary Employees Benefits Association (the Plan), as of December 31, 2007 and 2006, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 net assets available for benefits of the Plan as of December 31, 2007 and 2006, and the changes in its net assets available for benefits for the years then ended in conformity with U.S. generally accepted accounting principles.

Rosner Brown Touchstone & Keller, LLP

June 25, 2008

**SOUTHERN CALIFORNIA SCHOOLS
VOLUNTARY EMPLOYEES BENEFITS ASSOCIATION
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2007 and 2006**

	2007	2006
Assets:		
Cash and cash equivalents (Note 3)	\$ 18,338,391	17,497,132
Accounts receivable, net of allowance (Note 4)	2,844,808	1,423,308
Investments (Note 5)	14,007,277	13,321,082
Other assets	135,820	82,850
Total assets	35,326,296	32,324,372
Liabilities:		
Insurance premiums and claims payable	13,935,946	13,082,895
Deferred contributions	8,055,552	7,279,061
Accounts payable	280,886	157,436
Unpaid self-insurance claims incurred but not reported	1,862,000	1,681,000
Other liabilities	440,954	440,954
Total liabilities	24,575,338	22,641,346
Net assets available for benefits	\$ 10,750,958	9,683,026

See Accompanying Notes to Financial Statements

**SOUTHERN CALIFORNIA SCHOOLS
VOLUNTARY EMPLOYEES BENEFITS ASSOCIATION
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the Years Ended December 31, 2007 and 2006**

	2007	2006
Additions to net assets attributed to:		
Contributions from participant Districts for:		
Kaiser	\$ 136,742,255	122,284,016
PacifiCare	120,363,424	118,298,522
Medco	32,708,912	31,395,356
PacifiCare Behavioral Health	4,291,556	4,156,886
Employee Assistance Program	849,365	-
Delta Dental	4,374,542	4,025,758
Administrative fees	3,222,583	2,359,739
Vision Service Plan	2,089,013	2,340,122
American Specialty Health Plan	1,808,464	1,843,108
Community Dental Network	698,970	675,680
Aetna Life	686,736	528,300
Total contributions	307,835,820	287,907,487
Investment income	1,091,417	1,591,740
Other additions - rebates	2,454,663	1,508,782
Performance guarantee	100,000	50,000
Total additions	\$ 311,481,900	291,058,009

See Accompanying Notes to Financial Statements

**SOUTHERN CALIFORNIA SCHOOLS
VOLUNTARY EMPLOYEES BENEFITS ASSOCIATION
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS, CONTINUED
For the Years Ended December 31, 2007 and 2006**

	2007	2006
Deductions from net assets attributed to:		
Benefit payments:		
Kaiser premiums	\$ 136,742,255	122,284,016
PacifiCare premiums	121,388,424	118,298,522
Medco claims	32,410,051	32,740,900
PacifiCare Behavioral premiums	4,291,556	4,156,886
Delta Dental claims	3,911,425	3,697,444
Vision Service Plan claims	2,013,824	2,305,252
American Specialty Health Plan premiums	1,808,464	1,843,108
Employee Assistance Program	849,365	763,614
Community Dental Network claims	687,830	692,740
Aetna Life premiums	686,737	528,300
Allowance for billing and eligibility adjustments	996,811	1,200,205
Total benefit payments	305,786,742	288,510,987
Administrative expenses:		
Management fees	2,162,912	2,144,714
Consulting fees	263,120	261,074
Communications	1,027,632	871,096
Other deductions	1,173,562	988,559
Total administrative expenses	4,627,226	4,265,443
Total deductions	310,413,968	292,776,430
Net (decrease) increase in net assets	1,067,932	(1,718,421)
Net assets available for benefits, beginning of year	9,683,026	11,401,447
Net assets available for benefits, end of year	\$ 10,750,958	9,683,026

See Accompanying Notes to Financial Statements

**SOUTHERN CALIFORNIA SCHOOLS
VOLUNTARY EMPLOYEES BENEFITS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006**

1. Description of Plan

The following description of the Southern California Schools Voluntary Employees Benefits Association (the Plan), provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan provides insurance coverage to employees, retirees, and dependents of the member Southern California School Districts (the Districts). Eligibility of participants varies by District and is determined by each District.

The Plan contracts with a third party that provides administrative services to the Plan and in this capacity, performs administrative duties as defined in their agreement. Administrative fees are paid by the Plan at a rate predetermined in their services agreement based on active participants on a monthly basis. Total management fees paid by the Plan to the third party in 2007 and 2006 were \$2,162,912 and \$2,144,714, respectively.

The Plan commenced formal operations October 1, 1993, and is primarily a fully insured welfare benefit plan under Section 501(c)(9) of the Internal Revenue Code. The Plan has adopted a December 31 year end.

The medical plans offered are fully insured. The Plan provides only for current insurance coverage, and does not cover future benefits. The Plan's actuary negotiates with insurance companies for favorable insurance rates.

The Plan currently provides two uninsured plans for dental care, an uninsured prescription drug program and an uninsured vision plan. Contributions are determined by the Plan's actuary based upon industry trends, historical experience and other factors.

The Districts' contributions to the Plan include monies from participant Districts and their eligible employees, if required, and are used for insurance premiums, claims and administrative fees. The portion of each District's employee contribution is determined by each District based upon agreement with labor associations. These contributions are held in trust by the Plan's administrator, who pays the premiums to the insurance companies. The administrator directly pays the claims under the two dental, prescription drug and vision plans.

Insurance Coverage

The Plan consists of the following types of insurance coverage:

Kaiser: Kaiser offers a choice of five fully insured medical plans for active participants and one Medicare retiree plan.

PacifiCare: PacifiCare offers Health Maintenance Organization plans, Point-Of-Service plans, a Preferred Provider Organization plan, a plan for participants outside the PacifiCare service area and Medicare retiree plans. All plans are fully insured.

**SOUTHERN CALIFORNIA SCHOOLS
VOLUNTARY EMPLOYEES BENEFITS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006**

Medco Health Solutions: This is a self-insured prescription drug plan. The Plan collects contributions from member Districts based on actuarial assumptions and pays the actual drug claims as they are reported.

Delta Dental and Community Dental Network: Delta Dental offers self-insured dental care programs. Community Dental Network (CDN) offers self-insured dental care programs. The Plan collects contributions from member Districts based on actuarial assumptions and pays the actual dental claims as they are reported. Effective December 31, 2007, the Plan terminated coverage with CDN and all coverage was transferred to Delta Dental.

PacifiCare Behavioral Health: PacifiCare Behavioral Health provides mental health care for participants under the PacifiCare Health Care Plans.

Vision Service Plan: This is a self-insured vision plan. The Plan collects contributions from member Districts based on actuarial assumptions and pays the actual vision claims as they are reported.

American Specialty Health Plan: This is a chiropractic program that is offered in conjunction with each of the medical plans.

Aetna: This company offers a life insurance plan.

2. Summary of Accounting Policies

General

The Plan maintains its accounts on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Under the accrual basis of accounting, contributions are recorded when due from the Districts and benefit payments from the Plan are recorded in the period they are being used to insure. The significant accounting policies followed are discussed below.

Deferred Contributions

Deferred contributions consist of premiums received from Districts for which the related insurance premiums are not yet due. The deferred contributions are recognized as revenue when the related insurance premiums are due.

Unpaid Self-Insurance Claims Incurred But Not Reported

Unpaid self-insurance claims incurred but not reported relate to claims incurred but not yet reported in the current period under the self-insured prescription drug plan, dental plans, and vision plan.

Because actual claim costs depend on complex factors such as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically by the Plan's actuary to produce current estimates that reflect claim settlements, claim frequency and other economic and social factors.

**SOUTHERN CALIFORNIA SCHOOLS
VOLUNTARY EMPLOYEES BENEFITS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006**

Investments

The Plan's investments consist of money market funds, government bonds, bond funds, equities, and equity funds. The investments are reported at fair value. Fair value is determined based upon market quotations.

Estimates and Assumptions

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

Reclassification

Certain amounts in the prior-year financial statements have been reclassified to conform with the presentation in the current-year financial statements.

3. Cash and Cash Equivalents

Cash is held by the Plan administrator in trust accounts established at a business bank. Money is transferred to a separate disbursement account when used to pay premiums or administrative expenses. At December 31, 2007 and 2006, approximately \$18,339,000 and \$17,360,000 of cash not required for short-term distribution was invested in money market accounts with interest rates of 2.22% and 2.22%, respectively.

4. Accounts Receivable

Accounts receivable are principally monthly premiums billed to the participating school districts that are yet to be received. Premium contributions are recognized as additions to net assets when billed.

Accounts receivable as of December 31, 2007 and 2006, consist of the following:

	2007	2006
Accounts receivable	\$ 4,839,365	3,177,865
Less allowance for doubtful accounts	<u>(1,994,557)</u>	<u>(1,754,557)</u>
	<u>\$ 2,844,808</u>	<u>1,423,308</u>

5. Investments, At Fair Value

Investments are held with and managed by a custodian and a professional money manager under a contractual agreement. At December 31, 2007 and 2006, investments include \$930,924 and \$773,600, respectively, in unrealized gains and consist of the following at fair value:

**SOUTHERN CALIFORNIA SCHOOLS
VOLUNTARY EMPLOYEES BENEFITS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006**

	2007	2006
Money market funds	\$ 336,734	428,951
Government bonds	5,633,341	5,254,374
Bond funds	325,562	305,165
Equities	3,822,429	3,803,681
Equity funds	<u>3,889,211</u>	<u>3,528,911</u>
	<u>\$ 14,007,277</u>	<u>13,321,082</u>

6. Tax Status

The Plan has received a favorable determination letter regarding tax-exempt status under the provisions of the Internal Revenue Code. The Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, they believe that the Plan was qualified and the related trust was tax-exempt as of the financial statement date.

7. Plan Continuity

Although it has not expressed any intent to do so, the Board of Directors has the right under the Plan agreement to terminate the Plan. In the event of Plan termination, any monies remaining in the Plan after the payment of all expenses shall be used for the continuance of one or more benefits provided by the Plan, until such monies are exhausted.

8. Lease Commitments

In January of 2007, the Plan entered into an agreement to lease office space. The lease expires April 2012 and provides that the Plan pay utilities, real estate taxes, and a pro rata share of common area maintenance expenses as determined by the pro rata share of total square footage of the building. For the year ended December 31, 2007 rent expense under the lease was \$33,141.

Future minimum lease payments under the agreement are as follows:

2008	\$ 52,939
2009	54,489
2010	56,038
2011	57,803
2012	<u>14,526</u>
	<u>\$ 235,795</u>

**SOUTHERN CALIFORNIA SCHOOLS
VOLUNTARY EMPLOYEES BENEFITS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006**

9. Concentration of Credit Risk

At December 31, 2007 and 2006, cash included approximately \$18,338,000 and \$17,497,000, respectively, of deposits in commercial banks, a portion of which may be in excess of federal insurance limits.