

Amended Statement Cover

The 2003 Annual Statement for M-Caid is being amended to correct several schedules that were incorrectly filled out. All of the schedules that were affected are being re-submitted. If you have any questions, I can be reached at (734) 332-2351.

Thanks
Tonya Moore

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols.1-2)	4 Net Admitted Assets
1. Bonds (Schedule D)	1,066,928		1,066,928	1,048,319
2. Stocks (Schedule D)				
2.1 Preferred stocks				
2.2 Common Stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$..... encumbrances)				
4.2 Properties held for the production of income (less \$..... encumbrances)				
4.3 Properties held for sale (less \$..... encumbrances)				
5. Cash (\$..... Schedule E Part 1), cash equivalents (\$..... Schedule E Part 2) and short-term investments (\$.....210,174 Schedule DA)	210,174		210,174	
6. Contract loans (including \$..... premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivable for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,277,102		1,277,102	1,048,319
11. Investment income due and accrued	9		9	
12. Premiums and considerations				
12.1 Uncollected premiums and agents' balances in the course of collection	78,297		78,297	
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$..... earned but unbilled premiums)				
12.3 Accrued retrospective premiums				
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers				
13.2 Funds held by or deposited with reinsured companies				
13.3 Other amounts receivable under reinsurance contracts				
14. Amounts receivable relating to uninsured plans				
15.1 Current federal and foreign income tax recoverable and interest thereon				
15.2 Net deferred tax asset				
16. Guaranty funds receivable or on deposit				
17. Electronic data processing equipment and software				
18. Furniture and equipment, including health care delivery assets (\$.....)				
19. Net adjustment in assets and liabilities due to foreign exchange rates				
20. Receivables from parent, subsidiaries and affiliates	730,711		730,711	
21. Health care (\$.....) and other amounts receivable	1,099,769		1,099,769	
22. Other assets nonadmitted				
23. Aggregate write-ins for other than invested assets	52,792	52,792		
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	3,238,680	52,792	3,185,888	1,048,319
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	3,238,680	52,792	3,185,888	1,048,319
DETAILS OF WRITE-INS				
0901				
0902				
0903				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Capitation paid in advance	52,792	52,792		
2302				
2303				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	52,792	52,792		

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$..... reinsurance ceded)	1,052,086		1,052,086	
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses	47,683		47,683	
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance				
9. General expenses due or accrued	22,055		22,055	
10.1 Current federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
13. Remittance and items not allocated				
14. Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current)				
15. Amounts due to parent, subsidiaries and affiliates				
16. Payable for securities				
17. Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured accident and health plans				
21. Aggregate write-ins for other liabilities (including \$..... current)				
22. TOTAL Liabilities (Lines 1 to 21)	1,121,824		1,121,824	
23. Common capital stock	X X X	X X X		
24. Preferred capital stock	X X X	X X X		
25. Gross paid in and contributed surplus	X X X	X X X	1,750,000	1,050,000
26. Surplus notes	X X X	X X X		
27. Aggregate write-ins for other than special surplus funds	X X X	X X X		
28. Unassigned funds (surplus)	X X X	X X X	314,064	(1,681)
29. Less treasury stock, at cost:	X X X	X X X		
29.1 shares common (value included in Line 23 \$.....)	X X X	X X X		
29.2 shares preferred (value included in Line 24 \$.....)	X X X	X X X		
30. TOTAL capital and surplus (Lines 23 to 28 minus Line 29)	X X X	X X X	2,064,064	1,048,319
31. TOTAL Liabilities, capital and surplus (Lines 22 and 30)	X X X	X X X	3,185,888	1,048,319
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page				
2199. TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)				
2701.	X X X	X X X		
2702.	X X X	X X X		
2703.	X X X	X X X		
2798. Summary of remaining write-ins for Line 27 from overflow page	X X X	X X X		
2799. TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	178,205	
2. Net premium income (including \$..... non-health premium income)	X X X	26,374,711	
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$..... medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X	(1,023,554)	
7. Aggregate write-ins for other non-health revenues	X X X		
8. TOTAL revenues (Lines 2 to 7)	X X X	25,351,157	
Hospital and Medical:			
9. Hospital/medical benefits		17,037,410	
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs		4,274,305	
14. Aggregate write-ins for other hospital and medical		1,244,285	
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)		22,556,000	
Less:			
17. Net reinsurance recoveries			
18. TOTAL hospital and medical (Lines 16 minus 17)		22,556,000	
19. Non-health claims			
20. Claims adjustment expenses			
21. General administrative expenses		2,445,239	
22. Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only)			
23. TOTAL underwriting deductions (Lines 18 through 22)		25,001,239	
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	349,918	
25. Net investment income earned		55,808	
26. Net realized capital gains or (losses)			(1,681)
27. Net investment gains or (losses) (Lines 25 plus 26)		55,808	(1,681)
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	405,726	(1,681)
31. Federal and foreign income taxes incurred	X X X		
32. Net income (loss) (Lines 30 minus 31)	X X X	405,726	(1,681)
DETAILS OF WRITE-INS			
0601. Quality Assurance Assessment Fee	X X X	(1,023,554)	
0602	X X X		
0603	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X	(1,023,554)	
0701	X X X		
0702	X X X		
0703	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401. Misc. Health and Mental Health		1,240,481	
1402. Stop Loss Insurance		3,804	
1403			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		1,244,285	
2901.			
2902			
2903			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	1,048,319	
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32	405,726	(1,681)
35. Change in valuation basis of aggregate policy and claim reserves		
36. Net unrealized capital gains and losses	(37,190)	
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	(52,792)	
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in	700,000	1,050,000
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus		
48. Net change in capital and surplus (Lines 34 to 47)	1,015,744	1,048,319
49. Capital and surplus end of reporting year (Line 33 plus 48)	2,064,063	1,048,319
DETAILS OF WRITE-INS		
4701		
4702		
4703		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)		

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	26,296,414	
2.	Net investment income	55,799	
3.	Miscellaneous income	(1,023,554)	
4.	Total (Lines 1 through 3)	25,328,659	
5.	Benefit and loss related payments	21,503,914	
6.	Net transfers to Separate, Segregated and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	2,375,501	
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) \$..... net tax on capital gains (losses)		
10.	Total (Lines 5 through 9)	23,879,415	
11.	Net cash from operations (Lines 4 minus 10)	1,449,244	
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	5,403	
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash and short-term investments		
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	5,403	
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	61,202	1,050,000
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	61,202	1,050,000
14.	Net increase (or decrease) in policy loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(55,799)	(1,050,000)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock	700,000	1,050,000
16.3	Borrowed funds received		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	(1,883,271)	
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(1,183,271)	1,050,000
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18.	Net change in cash and short-term investments (Line 11, plus Line 15, plus Line 17)	210,174	
19.	Cash and short-term investments:		
19.1	Beginning of year		
19.2	End of year (Line 18 plus Line 19.1)	210,174	

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

(Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employee Health Benefit Plan	Title XVIII- Medicare	Title XIX- Medicaid	Stop Loss	Disability Income	Long- term Care	Other Health	Other Non-Health
1. Net premium income	26,374,711							26,374,711					
2. Change in unearned premium reserves and reserve for rate credit													
3. Fee-for-service (net of \$..... medical expenses)													X X X
4. Risk revenue													X X X
5. Aggregate write-ins for other health care related revenues	(1,023,554)							(1,023,554)					X X X
6. Aggregate write-ins for other non-health care related revenues		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
7. TOTAL revenues (Lines 1 to 6)	25,351,157							25,351,157					
8. Hospital/medical benefits	17,037,410							17,037,410					X X X
9. Other professional services													X X X
10. Outside referrals													X X X
11. Emergency room and out-of-area													X X X
12. Prescription drugs	4,274,305							4,274,305					X X X
13. Aggregate write-ins for other hospital and medical	1,244,285							1,244,285					X X X
14. Incentive pool, withhold adjustments and bonus amounts													X X X
15. Subtotal (Lines 8 to 14)	22,556,000							22,556,000					X X X
16. Net reinsurance recoveries													X X X
17. TOTAL hospital and medical (Lines 15 minus 16)	22,556,000							22,556,000					X X X
18. Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19. Claims adjustment expenses													
20. General administrative expenses	2,445,239							2,445,239					
21. Increase in reserves for accident and health contracts													X X X
22. Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23. TOTAL underwriting deductions (Lines 17 to 22)	25,001,239							25,001,239					
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	349,918							349,918					
DETAILS OF WRITE-INS													
0501. Quality Assurance Assessment Fee	(1,023,554)							(1,023,554)					X X X
0502													X X X
0503													X X X
0598. Summary of remaining write-ins for Line 5 from overflow page													X X X
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	(1,023,554)							(1,023,554)					X X X
0601.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0602		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698. Summary of remaining write-ins for Line 6 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
1301. Misc Health and Mental Health	1,240,481							1,240,481					X X X
1302. Stop-Loss Insurance	3,804							3,804					X X X
1303													X X X
1398. Summary of remaining write-ins for Line 13 from overflow page													X X X
1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)	1,244,285							1,244,285					X X X

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a)..... 61,202	61,202
1.1	Bonds exempt from U.S. tax	(a).....	
1.2	Other bonds (unaffiliated)	(a).....	
1.3	Bonds of affiliates	(a).....	
2.1	Preferred stocks (unaffiliated)	(b).....	
2.11	Preferred stocks of affiliates	(b).....	
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c).....	
4.	Real estate	(d).....	
5.	Contract loans		
6.	Cash/short-term investments	(e).....	9
7.	Derivative instruments	(f).....	
8.	Other invested assets		
9.	Aggregate write-ins for investment income		
10.	Total gross investment income	61,202	61,211
11.	Investment expenses		(g)..... 5,403
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g).....
13.	Interest expense		(h).....
14.	Depreciation on real estate and other invested assets		(i).....
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		5,403
17.	Net Investment income (Line 10 minus Line 16)		55,808
DETAILS OF WRITE-INS			
0901		
0902		
0903		
0998.	Summary of remaining write-ins for Line 9 from overflow page		
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)		
1501		
1502		
1503		
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above)		

- (a) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.
(b) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued dividends on purchases.
(c) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.
(d) Includes \$..... for company's occupancy of its own buildings; and excluding \$..... interest on encumbrances.
(e) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.
(f) Includes \$..... accrual of discount less \$..... amortization of premium.
(g) Includes \$..... investment expenses and \$..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$..... interest on surplus notes and \$..... interest on capital notes.
(i) Includes \$..... depreciation on real estate and \$..... depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values	Total
1.	U.S. Government bonds			(37,190)		(37,190)
1.1	Bonds exempt from U.S. tax					
1.2	Other bonds (unaffiliated)					
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)					
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)					
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash/short-term investments					
7.	Derivative instruments					
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)			(37,190)		(37,190)
DETAILS OF WRITE-INS						
0901					
0902					
0903					
0998.	Summary of remaining write-ins for Line 9 from overflow page					
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)					

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1. Summary of items Page 2, Lines 12 to 20, Column 2			
2. Other Nonadmitted Assets:			
2.1 Bills receivable			
2.2 Leasehold improvements			
2.3 Cash advanced to or in the hands of officers and agents			
2.4 Loans on personal security, endorsed or not			
2.5 Commuted commissions			
3. Total (Lines 2.1 to 2.5)			
4. Aggregate write-ins for other assets	52,792		(52,792)
5. TOTAL (Line 1 plus Line 3 and Line 4)	52,792		(52,792)
DETAILS OF WRITE-INS			
0401. Prepaid Capitation	52,792		(52,792)
0402			
0403			
0498. Summary of remaining write-ins for Line 4 from overflow page			
0499. TOTALS (Lines 0401 through 0403 plus 0498) (Line 4 above)	52,792		(52,792)

Notes to Financial Statement

M-CAID

Notes to Statutory Filing

December 31, 2003

THE UNIVERSITY OF MICHIGAN

M-CAID

Note 1--Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation: M-CAID is a not-for-profit corporation ("the Corporation") established by The Regents of The University of Michigan as a subsidiary of M-CARE for the purpose of contracting directly with the State of Michigan to administer a Medicaid health maintenance organization. The Corporation is a tax-exempt entity under the provisions of section 501 (c)(4) of the Internal Revenue Code. The Corporation is regulated and licensed by the State of Michigan Office of Financial and Insurance Services ("OFIS") and must submit periodic filings under rules promulgated by the State of Michigan.

The Regents of The University of Michigan, as the sole member of the Corporation, have the ultimate responsibility for the Corporation, and as part of the University and M-CARE, the financial position and results of operations of the of the Corporation are included in their combined financial statements. During 2002, the Corporation received \$1,050,000 from M-CARE to establish the Corporation. The Corporation received an additional \$700,000 from M-CARE in 2003.

Summary of Significant Accounting Policies: The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by OFIS. Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners ("NAIC"), as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The preparation of financial statements in conformity with accounting practices prescribed or permitted by the OFIS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statutory accounting practices ("SAP") differ in some respects from accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA") Audit and Accounting Guide for Health Care Organizations.

The principal differences between statutory accounting practices and GAAP are:

Investments: Under statutory accounting practices, investments in bonds are reported at amortized cost or market value based on their NAIC rating. Fair values of certain investments in bonds are based on market quotations obtained from a third party. For GAAP, such investments are reported at fair value with unrealized gains and losses recorded in investment income.

Realized gains or losses on the sale of investments are determined using the specific cost identification basis.

Nonadmitted Assets: Prepaid expenses are "nonadmitted", or excluded from the balance sheet, and the net change in such assets is charged or credited directly to unassigned surplus. Nonadmitted assets as of December 31, 2003 were \$53,000. Under GAAP, such assets are included in the balance sheet.

Cash Flow: The statement of cash flow is prepared in accordance with NAIC guidelines, which requires the use of the direct method as opposed to Statement of Financial Accounting Standards ("SFAS") No. 95.

The effects of the foregoing variances from GAAP on the accompanying statutory basis financial statements have not been determined, but are presumed to be material.

Other significant accounting practices are as follows:

Cash and Short-Term Investments: Cash and short-term investments include investments with maturities of less than one year at the date of acquisition. The carrying amounts reported in the accompanying balance sheet approximate fair value.

Notes to Financial Statement

Investments: Bonds are stated at amortized cost using the effective yield method.

Premium Revenues: are recognized as revenue in the period in which the member is entitled to service.

The Corporation contracts with various health care providers for the provision of medical care services to its subscribers. The Corporation compensates providers under capitation and fee-for-service arrangements. Expenses for health care services are accrued as they are rendered, including an estimate of claims unpaid.

Claims unpaid and unpaid adjustment expenses represent management's best estimate of ultimate costs of all reported and unreported claims incurred through December 31. The liability for claims unpaid and unpaid adjustment expense is estimated using individual case-basis valuations, statistical analyses and prior experience adjusted for current trends. These estimates are subject to the effects of trends in cost and utilization of health care services. Although considerable variability is inherent in such estimates, management believes that the liability for claims unpaid and unpaid adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Note 2 - Accounting Changes and Corrections of Errors

This note does not apply to the Corporation in this period.

Note 3 - Business Combinations and Goodwill

This note does not apply to the Corporation in this period.

Note 4 - Discontinued Operations

This note does not apply to the Corporation in this period.

Note 5 - Investments

The Corporation had no investments in mortgage loans, debt restructuring, reverse mortgages, loan-backed securities, repurchase agreements, or real estate.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

This note does not apply to the Corporation in this period.

Note 7 - Investment Income

This note does not apply to the Corporation in this period.

Note 8 - Derivative Instruments

This note does not apply to the Corporation in this period.

Note 9 - Income Taxes

The Corporation is a not-for-profit 501(C)(4) corporation, and is not subject to federal, state, or local income taxes.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

During 2002, the Corporation received \$1,050,000 from M-CARE to establish the Corporation. The Corporation received an additional 700,000 from M-Care in 2003. In addition, the Corporation paid M-CARE \$2,437,381 in 2003 for services rendered under the management agreement.

Note 11 - Subordinated Note Payable

This note does not apply to the Corporation in this period.

Note 12 - Retirement Plan, Postemployment Benefits

Notes to Financial Statement

This note does not apply to the Corporation in this period.

Note 13 - Capital and Surplus

The Corporation is wholly owned by M-CARE. There are no shares of stock authorized or issued.

Note 14 - Contingencies

This note does not apply to the Corporation in this period.

Note 15 - Leases

This note does not apply to the Corporation in this period.

Note 16 - Financial Instruments with Off - Balance Sheet Risk

This note does not apply to the Corporation in this period.

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note does not apply to the Corporation in this period.

Note 18 - Gain or Loss from Uninsured Plans

This note does not apply to the Corporation in this period.

Note 19 - Direct Premium Written / Produced by Managing General Agents / Third Party Administrators

This note does not apply to the Corporation in this period.

Note 20 - Other Items

This note does not apply to the Corporation in this period.

Note 21 - Events Subsequent

This note does not apply to the Corporation in this period.

Note 22 - Reinsurance

This note does not apply to the Corporation in this period.

Note 23 - Retrospectively Rated Contracts

This note does not apply to the Corporation in this period.

Note 24 - Change in Incurred Claims and Claim Adjustment Expenses

This note does not apply to the Corporation in this period.

Note 25 - Intercompany Pooling Arrangements

This note does not apply to the Corporation in this period.

Note 26 - Structured Settlements

This note does not apply to the Corporation in this period.

Note 27 - Health Care Receivables

This note does not apply to the Corporation in this period.

Note 28 - Participating Policies

Notes to Financial Statement

This note does not apply to the Corporation in this period.

Note 29 - Premium Deficiency Reserves

This note does not apply to the Corporation in this period.

Note 30 - Anticipated Salvage and Subrogation

This note does not apply to the Corporation in this period.