

SEC



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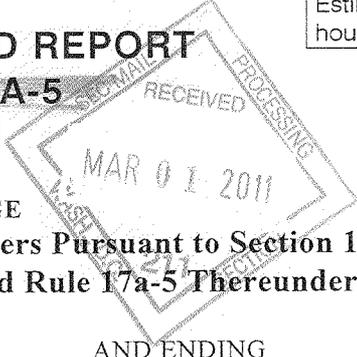
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**



SEC FILE NUMBER

8- 46981

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2010 AND ENDING 12/31/2010  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Healthcare Community Securities Corp.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

1 Empire Drive

(No. and Street)

Rensselaer

New York

12144

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Daniel Del Pozzo

(518) 431-7787

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

UHY LLP

(Name - if individual, state last, first, middle name)

66 South Pearl Street, Suite 400

Albany

New York

12207

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

JD 3/28

OATH OR AFFIRMATION

I, Daniel J. Del Pozzo, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Healthcare Community Securities Corp., as of December 31, 2010, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

[Handwritten Signature]
Signature

Vice President, Chief Financial Officer

Title

[Handwritten Signature: Karen Kaufman-White]
Notary Public

KAREN KAUFMAN-WHITE
NOTARY PUBLIC-STATE OF NEW YORK
No. 01KA6045515
Qualified in Greene County
My Commission Expires July 31, 2014

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit on internal control as required by SEC Rule 17a-5.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**HEALTHCARE COMMUNITY  
SECURITIES CORPORATION**

AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION

Years ended December 31, 2010 and 2009

# HEALTHCARE COMMUNITY SECURITIES CORPORATION

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Healthcare Community Securities Corporation

We have audited the accompanying statements of financial condition of Healthcare Community Securities Corporation (a wholly-owned subsidiary of Group Insurance Agency, Inc.) as of December 31, 2010 and 2009, and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Healthcare Community Securities Corporation as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**UHY** LLP

Albany, New York  
February 25, 2011

**HEALTHCARE COMMUNITY SECURITIES CORPORATION**  
**(A WHOLLY-OWNED SUBSIDIARY OF GROUP INSURANCE AGENCY, INC.)**  
**STATEMENTS OF FINANCIAL CONDITION**

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,537,686	\$ 1,354,128
Commissions receivable	824,300	758,061
Prepaid income tax	-	1,890
Prepaid expenses and other assets	60,326	17,511
Total current assets	<u>2,422,312</u>	<u>2,131,590</u>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>587</b>	<b>1,130</b>
<b>DEFERRED TAX ASSET</b>	<b>113,578</b>	<b>74,717</b>
Total assets	<u><u>\$2,536,477</u></u>	<u><u>\$ 2,207,437</u></u>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accrued expenses	\$ 674,843	\$ 583,493
Accrued income tax	373	-
Due to affiliate	554,581	320,470
Total current liabilities	<u>1,229,797</u>	<u>903,963</u>
<b>OTHER LIABILITIES</b>	<b>80,943</b>	<b>69,881</b>
Total liabilities	<u>1,310,740</u>	<u>973,844</u>
<b>STOCKHOLDER'S EQUITY</b>		
Common stock, no par value; 100 shares authorized, issued and outstanding	100	100
Additional paid-in capital	99,900	99,900
Retained earnings	1,130,191	1,130,191
Accumulated other comprehensive (loss) income , net of deferred tax (benefit) expense	(4,454)	3,402
Total stockholder's equity	<u>1,225,737</u>	<u>1,233,593</u>
Total liabilities and stockholder's equity	<u><u>\$2,536,477</u></u>	<u><u>\$ 2,207,437</u></u>

See notes to financial statements.

**HEALTHCARE COMMUNITY SECURITIES CORPORATION**  
**(A WHOLLY-OWNED SUBSIDIARY OF GROUP INSURANCE AGENCY, INC.)**  
**STATEMENTS OF INCOME**

	<u>Years Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Revenues:		
Gross commissions	<b>\$ 8,027,706</b>	<b>\$ 7,827,778</b>
Less commissions paid to other broker/dealers	<b><u>4,003,574</u></b>	<b><u>4,014,894</u></b>
Net commissions	<b>4,024,132</b>	<b>3,812,884</b>
Consulting fees and other income	<b>118,563</b>	<b>83,678</b>
Interest income	<b>-</b>	<b>248</b>
	<b><u>4,142,695</u></b>	<b><u>3,896,810</u></b>
Expenses:		
Corporate expenses	<b>1,537,880</b>	<b>1,867,083</b>
Employee compensation and benefits	<b>1,294,574</b>	<b>1,148,280</b>
Other operating expenses	<b>276,563</b>	<b>335,416</b>
Professional	<b>212,441</b>	<b>120,795</b>
Occupancy	<b>115,030</b>	<b>112,874</b>
Insurance	<b>71,590</b>	<b>75,315</b>
Consulting expense	<b><u>30,000</u></b>	<b><u>30,000</u></b>
	<b><u>3,538,078</u></b>	<b><u>3,689,763</u></b>
Income before income taxes	<b>604,617</b>	<b>207,047</b>
Income tax expense	<b><u>229,247</u></b>	<b><u>81,436</u></b>
Net income	<b><u><u>\$ 375,370</u></u></b>	<b><u><u>\$ 125,611</u></u></b>

*See notes to financial statements.*

**HEALTHCARE COMMUNITY SECURITIES CORPORATION**  
**(A WHOLLY-OWNED SUBSIDIARY OF GROUP INSURANCE AGENCY, INC.)**  
**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
**Years Ended December 31, 2010 and 2009**

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>	<u>Comprehensive Income</u>
Balance, January 1, 2009	\$ 100	\$ 99,900	\$ 1,130,191	\$ (41,627)	\$ 1,188,564	
Net income	-	-	125,611	-	125,611	\$ 469,993
Dividends paid	-	-	(125,611)	-	(125,611)	-
Post employment benefits, net of deferred tax expense	-	-	-	45,029	45,029	1,490
Comprehensive income	-	-	-	-	-	\$ 471,483
Balance, December 31, 2009	100	99,900	1,130,191	3,402	1,233,593	
Net income	-	-	375,370	-	375,370	\$ 375,370
Dividends paid	-	-	(375,370)	-	(375,370)	-
Post employment benefits, net of deferred tax benefit	-	-	-	(7,856)	(7,856)	(7,856)
Comprehensive income	-	-	-	-	-	\$ 367,514
Balance, December 31, 2010	<u>\$ 100</u>	<u>\$ 99,900</u>	<u>\$ 1,130,191</u>	<u>\$ (4,454)</u>	<u>\$ 1,225,737</u>	

See notes to financial statements.

**HEALTHCARE COMMUNITY SECURITIES CORPORATION**  
**(A WHOLLY-OWNED SUBSIDIARY OF GROUP INSURANCE AGENCY, INC.)**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 375,370	\$ 125,611
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	543	4,041
Deferred taxes	(38,861)	(1,418)
Changes in:		
Accounts receivable	(66,239)	28,591
Prepaid income taxes	1,890	184,682
Prepaid expenses	(42,815)	633
Other liabilities	3,206	2,144
Accrued expenses	91,723	(60,149)
Cash provided by operating activities	<u>324,817</u>	<u>284,135</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds of money market funds, net	-	1,064,723
Proceeds from sale of property and equipment	-	69
Cash provided by investing activities	<u>-</u>	<u>1,064,792</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in due to affiliates	234,111	92,165
Dividends paid	(375,370)	(125,611)
Cash used in financing activities	<u>(141,259)</u>	<u>(33,446)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>183,558</b>	<b>1,315,481</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>1,354,128</u>	<u>38,647</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u><u>\$ 1,537,686</u></u>	<u><u>\$ 1,354,128</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash payments (refunds), net for income taxes	<u><u>\$ 264,170</u></u>	<u><u>\$ (225,715)</u></u>

See notes to financial statements.

**HEALTHCARE COMMUNITY SECURITIES CORPORATION**  
**(A WHOLLY-OWNED SUBSIDIARY OF GROUP INSURANCE AGENCY, INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 — DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*(a) Organization*

Healthcare Community Securities Corporation (the Corporation) is a wholly-owned subsidiary of Group Insurance Agency, Inc. (GIA). GIA is a wholly-owned subsidiary of HANYS Services, Inc. (Parent). Parent is a wholly-owned subsidiary of Healthcare Association of New York State, Inc. (HANYS). The Corporation was formed for the purpose of providing investment products and services to HANYS' members and their employees. The Corporation is a broker-dealer registered with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority (FINRA).

Group Insurance Agency, Inc. (d/b/a HANYS Benefit Services) provides employee benefit programs and group and individual insurance products principally to HANYS' members and their employees.

HANYS Services, Inc. (d/b/a HANYS Solutions (HSI)) is the parent of GIA and other for-profit subsidiaries which provide software products, data analytics, background screening, and consulting services primarily to HANYS' members and the national hospital and healthcare market.

HANYS is a membership organization which provides various dues-supported services and programs to non-profit healthcare providers within New York State.

*(b) Revenue Recognition/Commission Receivable*

Commission revenue on mutual fund and variable annuity transactions is recorded based on the settlement date which does not differ materially from trade date accounting for such transactions. Commissions receivable represent commissions earned on these transactions but not collected by the Corporation. An allowance for doubtful accounts, if any, is based on a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluations and specific circumstances of customers. At December 31, 2010 and 2009, an allowance for doubtful accounts was not considered necessary.

*(c) Income Taxes*

The Corporation is a for-profit corporation under the provisions of the Internal Revenue Code and is included in a consolidated federal income tax return and a combined state return with its Parent. The Parent charges each related entity, including the Corporation, for its share of federal and state income tax expense, as if it filed a separate return. Income tax expense has been provided on income as reported in the statement of income.

The Parent and subsidiaries account for income taxes under the asset and liability method of accounting for income taxes. Under this method, a deferred tax liability is recognized for taxable temporary differences and a deferred tax asset is recognized for deductible temporary differences, tax credit carryforwards and operating loss carryforwards. A valuation allowance is established to reduce deferred tax assets if it is more than likely that all, or some portion, of such deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in the period that includes the enactment date.

**HEALTHCARE COMMUNITY SECURITIES CORPORATION**  
**(A WHOLLY-OWNED SUBSIDIARY OF GROUP INSURANCE AGENCY, INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 — DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(c) Income Taxes, continued*

The Corporation follows the guidance issued by the Financial Accounting Standards Board ("FASB") regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. The adoption of this guidance did not impact the Corporation's financial position or results of operations.

The Corporation believes that there are no tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within 12 months of the reporting date.

The Company records income tax related interest and penalties as component of the provision for income tax expense. There were no amounts of interest and penalties recognized in the statement of operations for the year ended December 31, 2010 and 2009.

None of the Corporation's income tax returns are currently under examination. However, fiscal years 2007 and later remain subject to examination by the IRS and various state authorities.

*(d) Property and Equipment*

Property and equipment is recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets, which range from three to ten years.

*(e) Securities and Exchange Commission Rule 15c3-3 Exemption*

The Corporation was not required to maintain a reserve account for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission at either December 31, 2010 or 2009. All customer transactions are cleared through another broker-dealer on a fully disclosed basis and the Corporation promptly forwards all funds and securities of its customers received in connection with its activities to this broker-dealer. The Corporation does not maintain margin accounts.

*(f) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**HEALTHCARE COMMUNITY SECURITIES CORPORATION**  
**(A WHOLLY-OWNED SUBSIDIARY OF GROUP INSURANCE AGENCY, INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 — DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(g) Cash*

For purposes of the statement of cash flows, the Corporation considers cash to be cash on hand and cash in banks. Changes in money market funds, which are typically considered cash equivalents, are reflected as investing activities in the statements of cash flows.

The Corporation's cash is deposited with institutions of high credit quality. At times, these amounts may exceed Federal Deposit Insurance Corporation insurance limits.

*(h) Other Post-Retirement Costs*

*Employers' accounting for defined benefit pension and other postretirement plans* requires the recognition of a defined benefit pension or postretirement benefit plan's funded status as either an asset or liability on the balance sheet. The gain or loss and prior service cost or credits that arise during the period, but are not recognized as components of net periodic benefit costs, are recognized as a component of other comprehensive income. Amounts recognized in accumulated other comprehensive income are adjusted as they are subsequently recognized as components of net periodic benefit cost.

*(i) Advertising Costs*

The Corporation expenses all advertising costs as incurred. Advertising costs amounted to \$18,892 and \$12,183 for the years ended December 31, 2010 and 2009, respectively.

*(j) Subsequent Events*

For purposes of preparing the financial statements, the Corporation considered events through February 25, 2011. No material events have occurred since the date of financial statements, which have not been disclosed in these financial statements.

**NOTE 2 — RELATED PARTY TRANSACTIONS**

Pursuant to an expense sharing agreement, HANYS, HSI, and GIA allocates certain administrative and operating expenses ("corporate expenses") and occupancy expenses to the Corporation and are reimbursed by the Corporation on a monthly basis. Corporate expenses allocated from HANYS, HSI, and GIA to the Corporation approximated \$1,537,900 and \$1,867,100 in 2010 and 2009, respectively. Amounts due to affiliate at December 31, 2010 and 2009 represent the net liability due to HANYS, HSI and GIA for allocated expenses and the Corporation's share of federal and state income tax expense and is payable in the normal course of business without interest.

**HEALTHCARE COMMUNITY SECURITIES CORPORATION**  
**(A WHOLLY-OWNED SUBSIDIARY OF GROUP INSURANCE AGENCY, INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 3 — OTHER OPERATING EXPENSES**

Other operating expenses for the years ended December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Travel	\$ 99,443	\$125,170
Office supplies and other	54,007	114,397
Maintenance and repairs	39,083	35,327
Telephone	32,010	32,646
Seminar and conference space	22,923	315
Advertising and promotion	18,892	12,184
Direct administrative fees	5,383	4,952
Printing and postage	4,279	6,384
Depreciation expense	543	4,041
	<u>\$276,563</u>	<u>\$335,416</u>

**NOTE 4 — EMPLOYEE BENEFIT PLANS**

***DEFINED CONTRIBUTION RETIREMENT PLAN***

The Corporation participates in HANYS's defined contribution plan. The Corporation's contributions to the plan are discretionary but may not exceed 10% of participants' compensation. Participants may make voluntary contributions to the plan based upon limitations as established by the Internal Revenue Code. Retirement plan costs charged to operations for the years ended December 31, 2010 and 2009 were approximately \$87,700 and \$70,000, respectively.

***OTHER POST RETIREMENT BENEFITS***

HANYS provides postretirement health and life insurance benefits to all of its subsidiary and related corporations through the Healthcare Association of New York State, Inc.'s Postretirement Welfare Plan (the "postretirement plan") for certain full-time employees with over five years of service who meet minimum age and service requirements at the time of termination and elect to receive benefits upon retirement. The maximum amount of benefits available to retirees is limited by HANYS' policy.

**HEALTHCARE COMMUNITY SECURITIES CORPORATION**  
**(A WHOLLY-OWNED SUBSIDIARY OF GROUP INSURANCE AGENCY, INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 4 — EMPLOYEE BENEFIT PLANS (Continued)**

***OTHER POST RETIREMENT BENEFITS (Continued)***

A summary of the Corporation's share of the funded status of the postretirement plan and other plan information is as follows:

	<u>2010</u>	<u>2009</u>
Benefit obligation	\$ (80,943)	\$ (69,881)
Fair value of plan assets	-	-
Funded status - (unfunded)	<u>\$ (80,943)</u>	<u>\$ (69,881)</u>
Accrued other postretirement benefit obligation recorded in the statements of financial position - other liabilities	<u>\$ (80,943)</u>	<u>\$ (69,881)</u>
Items not yet recognized as a component of net periodic pension cost:		
Net loss (gain)	\$ 13,688	\$ 8,140
Prior service cost	(9,234)	(11,542)
Tax benefit	-	-
Accumulated other comprehensive loss (income) net of deferred tax benefit/expense	<u>\$ 4,454</u>	<u>\$ (3,402)</u>
Weighted-average assumptions for net benefit obligation and net benefit cost		
Discount rate	5.25%	5.80%
Expected return on plan assets	-	-
Rate of compensation increase	3.00%	3.00%

The discount rate used in determining the accumulated postretirement benefit obligation (APBO) was 5.25% and 5.80% at December 31, 2010 and 2009 respectively. For measurement purposes, an annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) was assumed to be 9% for 2010 grading to 4% by 2016 (9.0% for 2009) and remaining at that level thereafter.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") introduced a new prescription drug benefit under Medicare that went into effect in 2006. The Act also included a federal subsidy payable to plan sponsors equal to 28% of certain prescription drug benefits payable to Medicare-eligible retirees in 2006. The subsidy is available to an employer that sponsors a retiree medical plan that includes a prescription drug benefit that is at least as valuable as the new Medicare coverage. The subsidy is not subject to federal income tax. The APBO valuation does not reflect the effect of the Act as HANYS has determined the effect to be immaterial to the postretirement plan. Accordingly, HANYS elected not to file for the 2006 subsidy.

**HEALTHCARE COMMUNITY SECURITIES CORPORATION**  
**(A WHOLLY-OWNED SUBSIDIARY OF GROUP INSURANCE AGENCY, INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 4 — EMPLOYEE BENEFIT PLANS (Continued)**

***OTHER POST RETIREMENT BENEFITS (Continued)***

Healthcare cost trend rates have a significant effect on the future costs and related amounts reported for health care plans. An additional one-percentage-point change in the assumed health care cost trend rate for each year would significantly change the postretirement benefit obligation.

In January 2005, HANYS' Board of Directors approved an amendment to its postretirement health and life insurance benefit plan. These amendments effectively changed certain eligibility criteria for certain employees participating in the plan, as well as capping certain costs and eliminating certain benefits offered under the plan.

Components of projected net periodic pension cost for the years ended December 31 are:

	<u>2010</u>	<u>2009</u>
Service cost for benefits earned	\$ 1,284	\$ 1,214
Interest cost on benefit obligation	4,053	3,765
Amortization of prior year cost and actuarial gain/loss	<u>(2,131)</u>	<u>(2,068)</u>
Periodic benefit cost	<u>\$ 3,206</u>	<u>\$ 2,911</u>
Employer contribution made	<u>\$ -</u>	<u>\$ -</u>
Benefits paid	<u>\$ -</u>	<u>\$ -</u>

Other changes in plan benefit obligations, which is the only item recognized in other comprehensive income, were as follows:

	<u>2010</u>	<u>2009</u>
Current year actuarial loss/(gain)	\$ 5,725	\$ (47,097)
Amortization of actuarial (loss)	(177)	(241)
Amortization of prior service (cost)	<u>2,308</u>	<u>2,309</u>
Total recognized in other comprehensive loss/(income)	<u>\$ 7,856</u>	<u>\$ (45,029)</u>

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2011 are as follows:

Actuarial gain/loss	\$ 597
Prior service cost	<u>2,309</u>
Total	<u>\$ 2,906</u>

**HEALTHCARE COMMUNITY SECURITIES CORPORATION**  
**(A WHOLLY-OWNED SUBSIDIARY OF GROUP INSURANCE AGENCY, INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 4 — EMPLOYEE BENEFIT PLANS (Continued)**

***OTHER POST RETIREMENT BENEFITS (Continued)***

Expected benefit payments for the next five years and the five years thereafter, using a December 31 measurement date, are as follows:

2011	\$ 17
2012	\$ 1,051
2013	\$ 1,117
2014	\$ 3,514
2015	\$ 3,645
2016-2020	\$19,901

**NOTE 5 — PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Furniture	\$ 30,960	\$ 30,960
Software	30,000	30,000
Office equipment	18,645	18,645
Computer equipment	<u>956</u>	<u>956</u>
	80,561	80,561
Less accumulated depreciation	<u>79,974</u>	<u>79,431</u>
Property and equipment, net	<u>\$ 587</u>	<u>\$ 1,130</u>

Depreciation expense was \$543 and \$4,041 for 2010 and 2009, respectively.

**NOTE 6 — NET CAPITAL REQUIREMENTS**

The Corporation is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital of 6 2/3% of aggregate indebtedness, but not less than \$25,000, and that the ratio of aggregate indebtedness to net capital as defined, shall not exceed 15 to 1. The Rule also restricts the payment of dividends in certain cases. At December 31, 2010 and 2009, the Corporation had net capital of approximately \$1,038,700 and \$1,133,700, respectively, which was approximately \$951,300 and \$1,068,700 in excess of its minimum required net capital of approximately \$87,400 and \$65,000 at December 31, 2010 and 2009, respectively. The Corporation's ratio of aggregate indebtedness to net capital was approximately 1.3 to 1 and .9 to 1 at December 31, 2010 and 2009, respectively.

**HEALTHCARE COMMUNITY SECURITIES CORPORATION**  
**(A WHOLLY-OWNED SUBSIDIARY OF GROUP INSURANCE AGENCY, INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 7 — PROVISION FOR INCOME TAXES**

Federal and state income tax expense attributable to the Corporation for the years ended December 31, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Federal tax expense	\$220,894	\$ 67,720
State tax expense	47,214	15,134
Deferred tax benefit	<u>(38,861)</u>	<u>(1,418)</u>
Total income taxes	<u>\$229,247</u>	<u>\$ 81,436</u>

The tax effects of temporary differences that give rise to significant portions of deferred tax assets at December 31, 2010 and 2009 are presented below:

	<u>2010</u>	<u>2009</u>
Deferred tax assets		
Accrued post retirement liability	\$ 31,743	\$ 30,412
Accrued compensated absences	27,109	31,425
Accrued incentive compensation	54,726	41,771
Less: valuation allowance	<u>-</u>	<u>(28,891)</u>
Net deferred tax assets	<u>\$113,578</u>	<u>\$ 74,717</u>

The valuation allowance at December 31, 2010 and 2009 was \$0 and \$28,891, respectively. The net change in the valuation allowance was \$28,891 in 2010 (\$15,567 in 2009). The valuation allowance at December 31, 2009 reflects the estimate that it is more likely than not that the net deferred tax assets may not be realized. In 2010, the valuation allowance was removed based on an assessment that the deferred tax asset is realizable.

**NOTE 8 — CONTINGENCIES**

The Corporation is a member of the Financial Industry Regulatory Authority (FINRA) and is subject to compliance with rules and regulations established by FINRA. The Corporation was subject to a review by FINRA in 2009 that was concluded in early 2010 which resulted in several exceptions related to technical compliance issues. Immediately after the review, the Corporation implemented a corrective action plan. In response to the review, the Corporation reached an agreement with FINRA, without admitting or denying findings, in which the Corporation consented to a \$35,000 fine and censure. The fine is reflected in other operating expenses on the statement of income for the year ended December 31, 2009 and included in the detail of other operating expenses under office supplies and other included in Note 3 to the financial statements. The Corporation believes they are currently operating in compliance with all FINRA rules and regulations, however compliance with rules and regulations continue to be subject to FINRA review, interpretation or actions of which are unknown and unasserted at this time.

## **SUPPLEMENTAL INFORMATION**

**SCHEDULE I**

**HEALTHCARE COMMUNITY SECURITIES CORPORATION**  
**(A WHOLLY-OWNED SUBSIDIARY OF GROUP INSURANCE AGENCY, INC.)**  
**COMPUTATION OF NET CAPITAL PURSUANT TO SEC RULE 15c3-1**  
**As of December 31, 2010**

**Net Capital**

Total stockholder's equity qualified for net capital	\$ 1,225,737
Deductions and/or charges:	
Non-allowable assets:	
Deferred tax asset	(113,578)
Commissions receivable over 30 days	(12,556)
Prepaid expenses and other assets	(60,326)
Property and equipment, net	(587)
	<u>                    </u>
Net capital	<u><u>\$ 1,038,690</u></u>

**Aggregate Indebtedness**

Items included in the statement of financial condition:	
Accrued expenses	\$ 675,216
Due to affiliates	554,581
Other liabilities	80,943
	<u>                    </u>
Total aggregate indebtedness	<u><u>\$ 1,310,740</u></u>

**Computation of Basic Net Capital Requirement**

Aggregate Indebtedness divided by 15	\$ 87,383
Minimum net capital requirement	25,000
	<u>                    </u>
Excess net capital over minimum net capital requirement	<u><u>\$ 951,307</u></u>
	<u>                    </u>
Excess net capital at 1000%*	<u><u>\$ 907,616</u></u>

\*Calculated as net capital - (total aggregate indebtedness x 10%)

Note: There were no material differences between the Corporation's computation of net capital as filed in Part II A, Quarterly 17a-5(a) revised FOCUS report, and the above schedule as of December 31, 2010.

## **OTHER REPORT**

**REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A  
BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

To the Board of Directors  
Healthcare Community Securities Corporation

In planning and performing our audit of the financial statements of Healthcare Community Services Corporation (the Corporation) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Corporation is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Corporation has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Corporation's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2010, to meet the SEC's objectives.

This report is intended solely for the information and use of the member, management, the SEC, Financial Industry Regulatory Authority and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

**UHY** LLP

Albany, New York  
February 25, 2011

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES RELATED TO AN ENTITY'S SIPC ASSESSMENT RECONCILIATION**

To the Board of Directors  
Healthcare Community Securities Corporation

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2010, which were agreed to by Healthcare Community Services Corporation (the Corporation) and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating the Corporation's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Corporation's management is responsible for the Corporation's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries showing the payment of \$150 to SIPC on July 29, 2010 with check number 57440 and \$114 on February 17, 2011 with check number 59127, noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2010 with the amounts reported in Form SIPC-7 for the year ended December 31, 2010, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers which were traced to the general ledger, noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers which were traced to the general ledger noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7T on which it was originally computed noting no overpayments.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*UHY* LLP

Albany, New York  
February 25, 2011

**General Assessment Reconciliation**

For the fiscal year ended DECEMBER 31, 20 10  
(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

046981 FINRA DEC  
HEALTHCARE COMMUNITY SECURITIES CORP  
1 EMPIRE DR  
RENSSELAER, NY 12144-5729

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

2. A. General Assessment (item 2e from page 2)	\$	<u>264.00</u>
B. Less payment made with SIPC-6 filed (exclude interest)	(	<u>150.00</u> )
<u>7/29/2010</u> Date Paid		
C. Less prior overpayment applied	(	<u>          </u> )
D. Assessment balance due or (overpayment)		<u>114.00</u>
E. Interest computed on late payment (see instruction E) for <u>      </u> days at 20% per annum		<u>0</u>
F. Total assessment balance and interest due (or overpayment carried forward)	\$	<u>114.00</u>
G. PAID WITH THIS FORM: Check enclosed, payable to SIPC Total (must be same as F above)	\$	<u>114.00</u>
H. Overpayment carried forward	\$(	<u>0</u> )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):  
\_\_\_\_\_  
\_\_\_\_\_

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Dated the 23rd day of FEBRUARY, 20 10.

Healthcare Community Securities Corporation  
\_\_\_\_\_  
(Name of Corporation, Partnership or other organization)  
*[Signature]*  
\_\_\_\_\_  
(Authorized Signature)  
VP, Chief Financial Officer  
\_\_\_\_\_  
(Title)

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER** Dates:            Postmarked            Received            Reviewed             
Calculations            Documentation            Forward Copy             
Exceptions:  
Disposition of exceptions:

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning Jan 1, 2010  
and ending Dec 31, 2010  
**Eliminate cents**

**Item No.**

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 8,147,395

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

0  
0  
0  
0  
0  
0  
0

Total additions

2c. Deductions:

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

8,027,526  
0  
0  
0  
0  
0  
0  
14,025

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ 0

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ 0

Enter the greater of line (i) or (ii)

0

Total deductions

0

2d. SIPC Net Operating Revenues

\$ 105,844

2e. General Assessment @ .0025

\$ 264.00

(to page 1, line 2.A.)