

NY44 HEALTH BENEFITS PLAN TRUST

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 and 2014

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Certified Public Accountants, P.C.

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Providing the Tools for Financial Success

Sham Dean Bahgat, CPA
Louann Laurito-Bahgat, CPA

INDEPENDENT AUDITOR'S REPORT

To the Trustees of
NY44 Health Benefits Plan Trust

We have audited the accompanying financial statements of NY44 Health Benefits Plan Trust (a nonprofit organization), which comprise the statements of net assets available for benefits as of June 30, 2015, and 2014, and the related statements of changes in net assets available for benefits and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

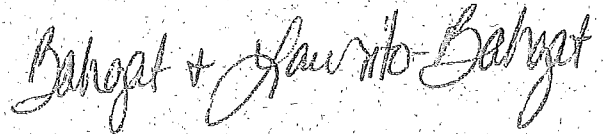
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of NY44 Health Benefits Plan Trust as of June 30, 2015 and 2014, and the changes in its net assets available for benefit and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Bahgat & Laurito-Bahgat
Certified Public Accountants, P.C.
Fredonia, NY

October 20, 2015

NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
JUNE 30, 2015 and 2014

	2015	2014
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 10,760,772	\$ 19,915,331
Investments in securities	4,489,253	6,384,381
Accounts receivable	818,997	1,674,139
TOTAL ASSETS	\$ 16,069,022	\$ 27,973,851
<u>LIABILITIES AND NET ASSETS AVAILABLE FOR BENEFITS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 144,323
Deferred participants' contributions	3,091,523	2,431,588
Estimated health claims payable	10,322,931	8,645,077
TOTAL CURRENT LIABILITIES	13,414,454	11,220,988
NET ASSETS		
Unrestricted	2,545,178	16,643,545
Temporarily Restricted	109,390	109,318
TOTAL NET ASSETS	2,654,568	16,752,863
TOTAL LIABILITIES AND NET ASSETS AVAILABLE FOR BENEFITS	\$ 16,069,022	\$ 27,973,851

NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED JUNE 30, 2015 and 2014

	2015		2014		
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Total
ADDITIONS TO NET ASSETS					
Participants' contributions	\$ 187,684,880	-	\$ 157,510,118	-	\$ 157,510,118
Participants' assessments	222,724	-	-	-	-
Drug subsidy	634,689	-	728,571	-	728,571
Interest income	371,367	72	362,823	568	363,391
Trust administrative fee revenues	1,149,435	-	980,987	-	980,987
Realized and unrealized change in investments, net	(200,709)	-	15,361	-	15,361
Pharmacy rebates	2,895,111	-	2,015,931	-	2,014,931
Other	-	-	533	-	533
Total additions	192,757,497	72	161,614,324	568	161,613,892
DEDUCTIONS FROM NET ASSETS					
Medical & dental claim payments	197,022,295	-	153,639,206	-	153,639,206
Health and wellness program	586,651	-	501,705	-	501,705
Stop loss insurance	-	-	360,000	-	360,000
Participants' assessments	2,620	-	-	417,347	417,347
Administrative expenses					
Claims administration	6,192,421	-	4,671,397	-	4,671,397
Salaries and payroll taxes	433,980	-	411,027	-	411,027
Legal and consulting	418,410	-	256,516	-	256,516
Insurance	24,541	-	16,318	-	16,318
Patient-centered outcomes research fee	59,134	-	24,448	-	24,448
Transitional reinsurance fee	1,862,721	-	-	-	-
Other	253,091	-	239,739	-	239,739
Total deductions	206,855,864	-	160,120,356	417,347	160,537,703
CHANGE IN NET ASSETS	(14,098,367)	72	1,492,968	(416,779)	1,076,189
NET ASSETS, at beginning of year	16,643,545	109,318	15,150,577	526,097	15,676,674
NET ASSETS, at end of year	\$ 2,545,178	\$ 109,390	\$ 16,643,545	\$ 109,318	\$ 16,752,863

See accompanying notes and independent auditor's report.

NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets available for benefits	\$ (14,098,295)	\$ 1,076,189
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized and unrealized change in investments	200,709	(15,361)
(Increase) decrease in current assets:		
Accounts receivable	855,142	(1,196,132)
Increase (decrease) in current liabilities:		
Accounts payable	(144,323)	144,323
Deferred participant contributions	659,935	(173,876)
Estimated health claims payable	1,677,854	(78,005)
NET CASH USED IN OPERATING ACTIVITIES	(10,848,978)	(242,862)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,394,622)	(2,432,271)
Proceeds from sale of investments	4,089,041	1,076,156
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,694,419	(1,356,115)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,154,559)	(1,598,977)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	19,915,331	21,514,308
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 10,760,772	\$ 19,915,331

NY44 HEALTH BENEFITS PLAN TRUST

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Trust

The following description of the NY44 Health Benefits Plan Trust provides only general information. Participants should refer to the Plan Trust Summary Plan Description (SPD) for a more complete description of the Trust's provisions which can be found on the Trust's website.

The Trust was established between the Erie 1 BOCES Board and the Board of Trustees of NY44 Health Benefits Plan Trust on May 15, 2003 and shall continue in existence until December 31, 2010, and thereafter, from year to year, unless sooner terminated, pursuant to Article 12 of the Trust agreement.

The governing Board shall consist of five managerial representatives employed by Erie I BOCES and five labor employees of Erie I BOCES, each of whom shall be a member of, and separately designated by, one of the five labor organizations that has a collective bargaining agreement with Erie I BOCES. Any action taken by the Trustees shall be by unit vote, 1 management and 1 union. In addition, the Plan Administrator is considered an ex-officio member of the governing Board.

The purpose of the Trust, and the general nature of its business shall be established and maintained, pursuant to Article 44 of the Insurance Law of the State of New York, an employee welfare (Trust), self-funding in whole or in part, or insuring in whole or in part, health benefit coverage for eligible employees.

Basis of Accounting

The financial statements of the NY44 Health Benefits Plan Trust are prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Trust considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NY44 HEALTH BENEFITS PLAN TRUST

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in equity securities with readily determinable fair values, mutual funds, and all investments in debt securities are measured at market value in the statement of financial position. The fair values for equity securities, mutual funds, and debt securities are based on quoted market prices.

Investment income and gains are reported as increases in additions to net assets in the reporting period in which the income and gains are reported.

Deferred Participants Contributions

Deferred participants' contributions represent contributions received in advance for the next fiscal year.

Estimated Health Claims Payable

The cost of claims payable for health care services provided to Trust members, covered employees and dependents include estimates based on evaluations of providers' claims submitted and provisions for incurred but not yet reported claims. Trust liabilities incurred but not yet reported are estimated by management based on the lag claim reports provided by the third party administrator.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Participant Contributions

The Trust receives contributions from its Trust members on behalf of the covered employees and dependents. This contribution is based on employee classification (single or family) multiplied by a predetermined rate per month, such rate being determined with the Board of Trustees.

Participant Assessments

The Trust receives monies from charter schools which is set aside for health claims payable subsequent to the termination of a charter school. These monies are accounted for in temporarily restricted net assets.

**NY44 HEALTH BENEFITS PLAN TRUST
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trust Amendment and/or Termination

The Trust may be amended and/or terminated by a majority vote of the Board of Trustees. If terminated, all previous contributions by the Trust members shall continue to be issued for the purpose of paying benefits under the provisions of this Trust with respect to claims arising before such termination, or shall be used for the purpose of providing similar health benefits to covered participants.

NOTE 2- CUSTODIAL CREDIT AND CONCENTRATION OF CREDIT RISKS

Custodial credit risk is the risk that in the event of bank failure, the Trust's deposits may not be returned to it. The Trust's deposits are exposed to custodial credit risk if they are not covered by depository insurance.

The Trust's aggregate bank balances at June 30, 2015 and 2014 totaled \$15,703,575 and \$19,915,331, respectively, and are categorized as follows:

- A. Insured,
- B. Collateralized with securities held by the pledging financial institution in the Trust's name, or trust department of agency in the Trust's name, or
- C. Uncollateralized.

	<u>2015</u>	<u>2014</u>
A	\$ 5,025,929	\$ 6,734,442
B	10,677,646	13,180,889
C	-	-
Total	<u>\$ 15,703,575</u>	<u>\$ 19,915,331</u>

NY44 HEALTH BENEFITS PLAN TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – INVESTMENTS

The Trust's assets are primarily invested with Morgan Stanley Smith Barney. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions (all Level 1 measurements).

Description	2015	2014
	Quoted Prices in Active Market for Identical Assets (Level 1)	Quoted Prices in Active Market for Identical Assets (Level 1)
Marketable Debt Securities		
Municipal Bonds	\$ 2,737,285	\$ 3,243,939
Government Securities	1,751,968	3,140,442
Total	\$ 4,489,253	\$ 6,384,381

NOTE 4 – ACCOUNTS RECEIVABLE

The Trust has the following outstanding accounts receivable at June 30:

	2015	2014
Contributions receivable	\$ 989	\$ -
Consultant refund	6,275	-
Pharmacy rebates	811,733	590,753
Stop loss reimbursement	-	1,083,386
Total	\$ 818,997	\$ 1,674,139

NOTE 5 – ESTIMATED HEALTH CLAIMS PAYABLE

The cost of claims payable for health care services provided to consortium members' covered employees and dependents include estimates based on evaluations of provider's claims submitted and provisions for incurred but not yet reported claims. Trust liabilities incurred but not yet reported are estimated based upon a claims run off report provided by the processor, which reflects the estimated ultimate cost of settling claims, including the effects of inflations and other social and economic factors. The estimated cost of claims payable is based on the payments made for the fiscal year ended June 30, 2015 as of the August 31, 2015 paid-claims lag schedule.

	2015	2014
July claims payable	\$ 8,148,073	\$ 6,745,012
August claims payable	2,174,858	1,900,065
Total	\$ 10,322,931	\$ 8,645,077

NY44 HEALTH BENEFITS PLAN TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

Subsequent period premium assessment:	<u>2015</u>	<u>2014</u>
South Buffalo Charter School Premium Advance	\$ 109,390	\$ 109,318
Total	<u>\$ 109,390</u>	<u>\$ 109,318</u>

NOTE 7 – OTHER EXPENSES

Other expenses consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Operations expense		
Management fee	\$ 135,162	\$ 140,298
Rent	20,049	20,049
Supplies & Miscellaneous	23,150	8,582
Postage	23,505	19,360
Printing	2,053	1,625
Phone	24,000	19,902
Total Operations expense	<u>227,919</u>	<u>209,816</u>
Travel & conference expense	20,237	24,534
Meeting expense	3,268	2,274
Other	1,667	3,115
Total	<u>\$ 253,091</u>	<u>\$ 239,739</u>

NOTE 8 – RELATED PARTY

The Trust finances are managed by its employees and employees of Erie 1 BOCES. All amounts detailed in Note 7 under operations expense are amounts paid to Erie 1 BOCES as per the agreements signed with Erie 1 BOCES. Erie 1 BOCES is also a participant in the medical benefits plan.

NY44 HEALTH BENEFITS PLAN TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – STOP-LOSS INSURANCE COVERAGE

The Trust purchased a separate stop loss insurance policy, for June 30, 2014, with a specific stop loss deductible of \$500,000, no individual or maximum limit. At June 30, 2015 the Trust was fully self-funded and did not purchase a separate stop loss insurance policy.

As of June 30, 2015 and 2014, the Trust has recovered \$0 and \$1,083,386 in stop loss reimbursements while incurring \$0 and \$360,000 in stop loss premiums, respectively.

NOTE 10 - INCOME TAXES

The Trust is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(9) of the Internal Revenue Code and has been classified by the Internal Revenue Service as other than private foundation under Section 509(a)(2). The Trust believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax provisions that are material to the financial statements.

The Trust's federal Returns of Organization Exempt from Income Tax (Form 990) for 2014, 2013 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 11 – SUBSEQUENT EVENTS

Events and transactions which have occurred from June 30, 2015 through October 20, 2015, the date of these financial statements, have been evaluated by the Trust's management for the purpose of determining whether there were any events that might require disclosure in these financial statements. No such events or transactions were noted.