

**NY44 HEALTH BENEFITS PLAN TRUST**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2020 and 2019**



**BAHGAT & LAURITO-BAHGAT**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

PROVIDING THE TOOLS FOR FINANCIAL SUCCESS





## **INDEPENDENT AUDITOR'S REPORT**

To the Board of 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 as of June 30, 2020, and 2019, and the related statements of activities, functional expenses, and cash flows for the fiscal 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 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 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 of NY44 Health Benefits Plan Trust as of June 30, 2020 and 2019, and the changes in its net assets, 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, CPAs*  
Bahgat & Laurito-Bahgat  
Certified Public Accountants, P.C.  
Fredonia, NY

October 23, 2020

**NY44 HEALTH BENEFITS PLAN TRUST**  
**STATEMENTS OF NET ASSETS**  
**JUNE 30, 2020 and 2019**

	2020	2019
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 45,278,383	\$ 17,853,615
Investments in securities	3,738,883	3,651,383
Accounts receivable	1,862,910	1,773,563
<b>TOTAL ASSETS</b>	<b>\$ 50,880,176</b>	<b>\$ 23,278,561</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Deferred participants' contributions	\$ 4,990,894	\$ 4,234,425
Estimated health claims payable	7,834,559	11,050,634
<b>TOTAL CURRENT LIABILITIES</b>	12,825,453	15,285,059
<b>NET ASSETS</b>		
Without restriction	37,943,733	7,883,016
With restriction	110,990	110,486
<b>TOTAL NET ASSETS</b>	38,054,723	7,993,502
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 50,880,176</b>	<b>\$ 23,278,561</b>

**NY44 HEALTH BENEFITS PLAN TRUST**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2020 and 2019**

	2020			2019		
	Without Restriction	With Restriction	Total	Without Restriction	With Restriction	Total
<b>REVENUES</b>						
Participants' contributions	\$ 163,508,502	-	\$ 163,508,502	\$ 186,264,806	-	\$ 186,264,806
Participants' assessments	-	-	-	132,048	-	132,048
Drug subsidy	482,033	-	482,033	56,388	-	56,388
Interest income	141,853	504	142,357	143,431	726	144,157
Trust administrative fee revenues	1,146,385	-	1,146,385	1,311,995	-	1,311,995
Realized and unrealized change in investments, net	16,941	-	16,941	58,891	-	58,891
Pharmacy rebates	7,564,839	-	7,564,839	8,948,728	-	8,948,728
Other income	-	-	-	56,128	-	56,128
<b>Total Revenues</b>	<b>172,860,553</b>	<b>504</b>	<b>172,861,057</b>	<b>196,972,415</b>	<b>726</b>	<b>196,973,141</b>
<b>EXPENSES</b>						
Program Services	142,451,478	-	142,451,478	177,656,905	-	177,656,905
Management and General	348,358	-	348,358	646,990	-	646,990
<b>Total Expenses</b>	<b>142,799,836</b>	<b>-</b>	<b>142,799,836</b>	<b>178,303,895</b>	<b>-</b>	<b>178,303,895</b>
<b>CHANGE IN NET ASSETS</b>	<b>30,060,717</b>	<b>504</b>	<b>30,061,221</b>	<b>18,668,520</b>	<b>726</b>	<b>18,669,246</b>
NET ASSETS, at beginning of year	7,883,016	110,486	7,993,502	(10,785,504)	109,760	(10,675,744)
<b>NET ASSETS, at end of year</b>	<b>\$ 37,943,733</b>	<b>\$ 110,990</b>	<b>\$ 38,054,723</b>	<b>\$ 7,883,016</b>	<b>\$ 110,486</b>	<b>\$ 7,993,502</b>

See accompanying notes and independent auditor's report.



NY44 HEALTH BENEFITS PLAN TRUST  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2020 and 2019

	2020			2019		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Medical & dental claim payments	\$ 136,425,204	\$ -	\$ 136,425,204	\$ 171,312,651	\$ -	\$ 171,312,651
Health and wellness program	297,801	-	297,801	760,964	-	760,964
<b>Total Claims</b>	<b>136,723,005</b>	<b>-</b>	<b>136,723,005</b>	<b>172,073,615</b>	<b>-</b>	<b>172,073,615</b>
Administrative expenses						
Claims administration	3,800,044	-	3,800,044	4,955,533	-	4,955,533
Salaries and payroll taxes	-	89,431	89,431	-	271,320	271,320
Legal and consulting	996,202	20,653	1,016,855	584,486	10,842	595,328
Insurance	867,817	6,428	874,245	8,600	42,013	50,613
Patient-centered outcomes research fee	64,410	-	64,410	34,671	-	34,671
Other	-	231,846	231,846	-	322,815	322,815
<b>Total Administrative</b>	<b>5,728,473</b>	<b>348,358</b>	<b>6,076,831</b>	<b>5,583,290</b>	<b>646,990</b>	<b>6,230,280</b>
<b>Total Expenses</b>	<b>\$ 142,451,478</b>	<b>\$ 348,358</b>	<b>\$ 142,799,836</b>	<b>\$ 177,656,905</b>	<b>\$ 646,990</b>	<b>\$ 178,303,895</b>

**NY44 HEALTH BENEFITS PLAN TRUST**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 30,061,221	\$ 18,669,246
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized and unrealized change in investments	(16,941)	(58,891)
(Increase) decrease in current assets:		
Accounts receivable	(89,347)	147,518
Increase (decrease) in current liabilities:		
Deferred participant contributions	756,469	99,371
Estimated health claims payable	(3,216,075)	(9,960,880)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>27,495,327</b>	<b>8,896,364</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(1,007,377)	(108,460)
Proceeds from sale of investments	936,818	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(70,559)</b>	<b>(108,460)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>27,424,768</b>	<b>8,787,904</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>17,853,615</b>	<b>9,065,711</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 45,278,383</b>	<b>\$ 17,853,615</b>

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

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**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 continued in existence to December 31, 2010, thereafter, it renews on a 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.



# NY44 HEALTH BENEFITS PLAN TRUST

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Financial Statement Presentation**

The Trust is required to report information regarding its financial position and activities according to two classes of net assets: net assets with restrictions and net assets without restrictions which are described as follows:

#### **With Restriction**

Restricted net assets are subject to imposed stipulations that may or will be met either by actions of the Trust and/or passage of time. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Additionally, the Trust has net assets subject to imposed stipulations that require the net assets be maintained permanently by the Trust. Generally, the Trust is permitted to use all or a part of the income earned on any related investments for general or specific purposes.

#### **Without Restriction**

Net assets without restriction are not subject to donor imposed stipulation.

#### **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.

#### **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 net assets. 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.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 the Trust's contracted actuary based on the completion factor method. The completion factor method is based on an incurred claim estimation technique whereby ultimate claim costs are projected assuming claims complete at the same rate as historical experience dictates. The completion factor method permits the actuarial estimation of incurred claim costs for each month of the plan year.

**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 net assets with restrictions.

**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.

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

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**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, 2020 and 2019 totaled \$45,293,377 and \$18,011,043, 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.

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
A	\$ 594,439	\$ 538,171
B	44,698,938	17,472,872
C	-	-
<b>Total</b>	<b>\$ 45,293,377</b>	<b>\$ 18,011,043</b>

**NOTE 3– INVESTMENTS**

The Trust’s assets are primarily invested with Morgan Stanley. 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	<b>2020</b>	<b>2019</b>
	Quoted Prices in Active Market for Identical Assets (Level 1)	Quoted Prices in Active Market for Identical Assets (Level 1)
Marketable Debt Securities		
Certificates of Deposits (greater than 90 day maturity)	\$ 1,219,984	\$ 1,161,005
Municipal Bonds	2,518,899	2,490,378
<b>Total</b>	<b>\$ 3,738,883</b>	<b>\$ 3,651,383</b>



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

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**NOTE 4 – ACCOUNTS RECEIVABLE**

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

	<u>2020</u>	<u>2019</u>
Pharmacy rebates	1,862,910	1,773,563
<b>Total</b>	<b>\$ 1,862,910</b>	<b>\$ 1,773,563</b>

**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. The estimated cost of claims payable of \$7,834,559 and \$11,050,634, as of June 30, 2020 and 2019 respectively, were calculated by the Trust's qualified actuary.

**NOTE 6 – OTHER EXPENSES**

Other expenses consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Operations expense		
Management fee	\$ 169,319	\$ 252,776
Rent	24,637	24,068
Supplies & Miscellaneous	2,305	7,793
Postage	5,247	9,675
Printing	293	1,497
Phone	25,919	20,304
Total Operations expense	227,720	316,113
Travel & conference expense	-	3,985
Meeting expense	160	1,852
Other	3,966	865
<b>Total</b>	<b>\$ 231,846</b>	<b>\$ 322,815</b>

**NOTE 7 – RELATED PARTY**

The Trust finances are managed by its employees and employees of Erie 1 BOCES. All amounts detailed in Note 6 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**

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**NOTE 8 – STOP-LOSS INSURANCE COVERAGE**

The Trust purchased a separate stop loss insurance policy, for the year ending June 30, 2020, with a stop loss deductible of \$1,000,000 per specific incident, with no annual or lifetime individual limit. For the year ending June 30, 2019 the Trust did not purchase a separate stop loss insurance policy.

As of June 30, 2020 and 2019, the Trust has incurred \$854,674 and \$0 in stop loss premiums, respectively.

**NOTE 9 - 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.

**NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects NY44 Health Benefits Plan Trust’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or imposed restrictions.

	2020	2019
Financial assets at year end	\$ 50,880,176	\$ 23,278,561
Less those unavailable for general expenditures:		
Subsequent period premium assessment:		
South Buffalo Charter School		
Premium Advance	(110,990)	(110,486)
Financial assets available to meet cash needs for general expenditures within one year	\$ 50,769,186	\$ 23,168,075

The Trust has a goal to maintain financial assets, which consists of cash, on hand to meet normal operating expenses. The Trust has its financial assets available as its general expenditures, liabilities, and other obligations come due.

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

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**NOTE 11 – NET ASSETS WITHOUT RESTRICTION**

At June 30, 2020 and 2019, the Trust had an amount in excess of the required reserves in the amounts of \$37,943,733 and \$7,883,016, respectively. This is the amount that is available to cover the short-falls when claims and administrative expenses exceed premium revenues.

**NOTE 12 – FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing various activities have been summarized in the Statements of Activities. The Trust presents Statements of Functional Expenses to allocate its expenses on a functional basis among program and supporting activities which are summarized and categorized based upon their functional classification. Expenses that can be identified with a specific program or activity are allocated directly according to their natural expenditure classification. Certain categories of expenses are attributable to both program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The other expenses that are common to multiple functions are allocated by various statistical percentages determined by management.

**NOTE 13 - PARTICIPANT TERMINATIONS**

The Trust received termination notices from the following East Central region schools for their termination from the trust effective:

Franklin Central School District	March 31, 2020
Madrid Waddington Central School District	March 31, 2020
Oneida Herkimer Madison BOCES	March 31, 2020
Cooperstown Central School District	June 30, 2020
Mechanicville Central School District	June 30, 2020
OESJ Central School District	June 30, 2020
Schenevus Central School District	June 30, 2020
Unatego Central School District	June 30, 2020

The Trust received termination notices from the following Western region schools for their termination from the trust effective:

St. Francis High School	February 29, 2020
The Park School	February 29, 2020
Elmwood Franklin Central School District	June 30, 2020
Springville Central School District	June 30, 2020



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

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**NOTE 14 – CONTINGENCIES**

The Trust received termination notices from the following East Central region schools for their termination from the Trust effective:

Fulton Montgomery Community College	July 31, 2020
Canajoharie Central School District	August 31, 2020

The Trust received termination notices from the following Western region schools for their termination from the Trust effective:

Maryvale Central School District (most enrollees)	May 31, 2021
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The effects of their departure from the entity have not been determined.

There is pending litigation against the Trust. The outcome of the ongoing matters is not presently determinable; therefore, no amount has been recognized in the financial statements. In the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the Trust.

**NOTE 15 – SUBSEQUENT EVENTS**

Events and transactions which have occurred from June 30, 2020 through October 23, 2020, which is the date the financial statements were available to be issued, have been evaluated by the Trust's management. The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The impact of the situation on the Trust and its future results and financial position are not presently determinable.