

NY44 HEALTH BENEFITS PLAN TRUST
FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 and 2020



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, 2021, and 2020, 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, 2021 and 2020, 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 18, 2021

NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF NET ASSETS
JUNE 30, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 41,522,249	\$ 45,278,383
Investments in securities	13,314,201	3,738,883
Accounts receivable	1,671,110	1,862,910
Prepaid Expense	37,086	-
TOTAL ASSETS	\$ 56,544,646	\$ 50,880,176
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Deferred participants' contributions	\$ 703,591	\$ 4,990,894
Estimated health claims payable	7,850,512	7,834,559
TOTAL CURRENT LIABILITIES	8,554,103	12,825,453
NET ASSETS		
Without restriction	47,879,465	37,943,733
With restriction	111,078	110,990
TOTAL NET ASSETS	47,990,543	38,054,723
TOTAL LIABILITIES AND NET ASSETS	\$ 56,544,646	\$ 50,880,176

NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	2021			2020		
	Without Restriction	With Restriction	Total	Without Restriction	With Restriction	Total
REVENUES						
Participants' contributions	\$ 120,301,267	-	\$ 120,301,267	\$ 163,508,502	-	\$ 163,508,502
Drug subsidy	396,096	-	396,096	482,033	-	482,033
Interest income	148,945	88	149,033	141,853	504	142,357
Trust administrative fee revenues	830,640	-	830,640	1,146,385	-	1,146,385
Realized and unrealized change in investments, net	(49,556)	-	(49,556)	16,941	-	16,941
Pharmacy rebates	7,175,033	-	7,175,033	7,564,839	-	7,564,839
Stop loss insurance reimbursement	281,726	-	281,726	-	-	-
Total Revenues	129,084,151	88	129,084,239	172,860,553	504	172,861,057
EXPENSES						
Program Services	118,845,891	-	118,845,891	142,451,478	-	142,451,478
Management and General	302,528	-	302,528	348,358	-	348,358
Total Expenses	119,148,419	-	119,148,419	142,799,836	-	142,799,836
CHANGE IN NET ASSETS	9,935,732	88	9,935,820	30,060,717	504	30,061,221
NET ASSETS, at beginning of year	37,943,733	110,990	38,054,723	7,883,016	110,486	7,993,502
NET ASSETS, at end of year	\$ 47,879,465	\$ 111,078	\$ 47,990,543	\$ 37,943,733	\$ 110,990	\$ 38,054,723

See accompanying notes and independent auditor's report.

NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	2021		2020		
	Program Services	Management and General	Program Services	Management and General	Total
Medical & dental claim payments	\$ 114,602,948	\$ -	\$ 136,425,204	\$ -	\$ 136,425,204
Health and wellness program	-	-	297,801	-	297,801
Total Claims	<u>114,602,948</u>	<u>-</u>	<u>136,723,005</u>	<u>-</u>	<u>136,723,005</u>
Administrative expenses					
Claims administration	2,710,817	-	3,800,044	-	3,800,044
Salaries and payroll taxes	-	84,145	-	89,431	89,431
Legal and consulting	825,352	9,961	996,202	20,653	1,016,855
Insurance	660,205	11,047	867,817	6,428	874,245
Patient-centered outcomes research fee	46,569	-	64,410	-	64,410
Other	-	197,375	-	231,846	231,846
Total Administrative	<u>4,242,943</u>	<u>302,528</u>	<u>5,728,473</u>	<u>348,358</u>	<u>6,076,831</u>
Total Expenses	<u>\$ 118,845,891</u>	<u>\$ 302,528</u>	<u>\$ 142,451,478</u>	<u>\$ 348,358</u>	<u>\$ 142,799,836</u>

**NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,935,820	\$ 30,061,221
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized and unrealized change in investments	49,556	(16,941)
(Increase) decrease in current assets:		
Accounts receivable	191,800	(89,347)
Prepaid Expense	(37,086)	-
Increase (decrease) in current liabilities:		
Deferred participant contributions	(4,287,303)	756,469
Estimated health claims payable	15,953	(3,216,075)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,868,740	27,495,327
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(10,214,874)	(1,007,377)
Proceeds from sale of investments	590,000	936,818
NET CASH USED IN INVESTING ACTIVITIES	(9,624,874)	(70,559)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(3,756,134)	27,424,768
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	45,278,383	17,853,615
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 41,522,249	\$ 45,278,383

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 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

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

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

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, 2021 and 2020 totaled \$41,555,379 and \$45,293,377, 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.

	June 30, 2021	June 30, 2020
A	\$ 500,000	\$ 594,439
B	41,055,379	44,698,938
C	-	-
Total	\$ 41,555,379	\$ 45,293,377

NOTE 3– INVESTMENTS

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	2021	2020
	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)	\$ 855,915	\$ 1,219,984
Municipal Bonds	12,458,286	2,518,899
Total	\$ 13,314,201	\$ 3,738,883

NY44 HEALTH BENEFITS PLAN TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – ACCOUNTS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Pharmacy rebates	1,671,110	1,862,910
Total	\$ 1,671,110	\$ 1,862,910

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 \$7,850,512 and \$7,834,559, as of June 30, 2021 and 2020 respectively, were calculated by the Trust's qualified actuary.

NOTE 6 – OTHER EXPENSES

Other expenses consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Operations expense		
Management fee	\$ 142,758	\$ 169,319
Rent	16,411	24,637
Supplies & Miscellaneous	293	2,305
Postage	13,997	5,247
Printing	-	293
Phone	16,473	25,919
Total Operations expense	<u>189,932</u>	<u>227,720</u>
Meeting expense	-	160
Other	7,443	3,966
Total	\$ <u>197,375</u>	\$ <u>231,846</u>

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

NOTE 8 – STOP-LOSS INSURANCE COVERAGE

The Trust purchased a separate stop loss insurance policy, for the years ending June 30, 2021 and 2020, with a stop loss deductible of \$1,000,000 per specific incident, with no annual or lifetime individual limit.

As of June 30, 2021 and 2020, the Trust has incurred \$590,815 and \$854,674 in stop loss premiums and the Trust has received \$281,726 and \$0 in stop loss reimbursements, 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.

	2021	2020
Financial assets at year end	\$ 56,544,646	\$ 50,880,176
Less those unavailable for general expenditures:		
Subsequent period premium assessment:		
South Buffalo Charter School Premium Advance	(111,078)	(110,990)
Financial assets available to meet cash needs for general expenditures within one year	\$ 56,433,568	\$ 50,769,186

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

NOTE 11 – NET ASSETS WITHOUT RESTRICTION

At June 30, 2021 and 2020, the Trust had an amount in excess of the required reserves in the amounts of \$47,879,465 and \$37,943,733, 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:

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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NY44 HEALTH BENEFITS PLAN TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 14 – CONTINGENCIES

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

Maryvale Central School District (all enrollees)	February 1, 2022
Kadimah School Of Buffalo	May 31, 2022
Grand Island Central School District	March 1, 2022

The effects of their departure from the entity have not been determined.

There was pending litigation against the Trust as of June 30, 2021. The outcome of the ongoing matters was not presently determinable; therefore, no amount was recognized in the financial statements. In the opinion of management, the ultimate liability would not have a material adverse effect on the financial condition or results of operation of the Trust. As of July 26, 2021, the pending litigation referred to was resolved, without material adverse effect to the Trust.

NOTE 15 – SUBSEQUENT EVENTS

Events and transactions which have occurred from June 30, 2021 through October 18, 2021, 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.