

NY44 HEALTH BENEFITS PLAN TRUST
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 and 2021



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, 2022, and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NY44 Health Benefits Plan Trust as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NY44 Health Benefits Plan Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NY44 Health Benefits Plan Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NY44 Health Benefits Plan Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NY44 Health Benefits Plan Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bahgat & Laurito-Bahgat, CPAs

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

November 11, 2022

NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF NET ASSETS
JUNE 30, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 49,290,922	\$ 41,522,249
Investments in securities	16,158,799	13,314,201
Accounts receivable	114,345	1,671,110
Prepaid Expense	-	37,086
TOTAL ASSETS	\$ 65,564,066	\$ 56,544,646
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Deferred participants' contributions	\$ 3,573,431	\$ 703,591
Estimated health claims payable	9,454,860	7,850,512
TOTAL CURRENT LIABILITIES	13,028,291	8,554,103
NET ASSETS		
Without restriction	52,424,675	47,879,465
With restriction	111,100	111,078
TOTAL NET ASSETS	52,535,775	47,990,543
TOTAL LIABILITIES AND NET ASSETS	\$ 65,564,066	\$ 56,544,646

**NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 and 2021**

	2022			2021		
	Without Restriction	With Restriction	Total	Without Restriction	With Restriction	Total
REVENUES						
Participants' contributions	\$ 115,098,680	\$ -	\$ 115,098,680	\$ 120,301,267	\$ -	\$ 120,301,267
Drug subsidy	342,416	-	342,416	396,096	-	396,096
Interest income	373,153	22	373,175	148,945	88	149,033
Trust administrative fee revenues	861,392	-	861,392	830,640	-	830,640
Realized and unrealized change in investments, net	(1,101,973)	-	(1,101,973)	(49,556)	-	(49,556)
Pharmacy rebates	6,354,709	-	6,354,709	7,175,033	-	7,175,033
Stop loss insurance reimbursement	64,810	-	64,810	281,726	-	281,726
Total Revenues	121,993,187	22	121,993,209	129,084,151	88	129,084,239
EXPENSES						
Program Services	117,071,541	-	117,071,541	118,845,891	-	118,845,891
Management and General	376,436	-	376,436	302,528	-	302,528
Total Expenses	117,447,977	-	117,447,977	119,148,419	-	119,148,419
CHANGE IN NET ASSETS	4,545,210	22	4,545,232	9,935,732	88	9,935,820
NET ASSETS, at beginning of year	47,879,465	111,078	47,990,543	37,943,733	110,990	38,054,723
NET ASSETS, at end of year	\$ 52,424,675	\$ 111,100	\$ 52,535,775	\$ 47,879,465	\$ 111,078	\$ 47,990,543

See accompanying notes and independent auditor's report.

**NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 and 2021**

	<u>2022</u>			<u>2021</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Medical & dental claim payments	\$ 112,107,310	\$ -	\$ 112,107,310	\$ 114,602,948	\$ -	\$ 114,602,948
Total Claims	112,107,310	-	112,107,310	114,602,948	-	114,602,948
Administrative expenses						
Claims administration	3,409,897	-	3,409,897	2,710,817	-	2,710,817
Salaries and payroll taxes	-	153,712	153,712	-	84,145	84,145
Legal and consulting	736,784	9,738	746,522	825,352	9,961	835,313
Insurance	779,132	30,792	809,924	660,205	11,047	671,252
Patient-centered outcomes research fee	38,418	-	38,418	46,569	-	46,569
Other	-	182,194	182,194	-	197,375	197,375
Total Administrative	4,964,231	376,436	5,340,667	4,242,943	302,528	4,545,471
Total Expenses	\$ 117,071,541	\$ 376,436	\$ 117,447,977	\$ 118,845,891	\$ 302,528	\$ 119,148,419

See accompanying notes and independent auditor's report.

NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,545,232	\$ 9,935,820
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized and unrealized change in investments	1,101,973	49,556
(Increase) decrease in current assets:		
Accounts receivable	1,556,765	191,800
Prepaid Expense	37,086	(37,086)
Increase (decrease) in current liabilities:		
Deferred participant contributions	2,869,840	(4,287,303)
Estimated health claims payable	1,604,348	15,953
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,715,244	5,868,740
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,794,000)	(10,214,874)
Proceeds from sale of investments	1,847,429	590,000
NET CASH USED IN INVESTING ACTIVITIES	(3,946,571)	(9,624,874)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,768,673	(3,756,134)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	41,522,249	45,278,383
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 49,290,922	\$ 41,522,249

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, 2022 and 2021 totaled \$49,294,267 and \$41,555,379, 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, 2022	June 30, 2021
A	\$ 500,000	\$ 500,000
B	48,794,267	41,055,379
C	-	-
Total	\$ 49,294,267	\$ 41,555,379

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	2022	2021
	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)	\$ 455,795	\$ 855,915
Municipal Bonds	15,703,004	12,458,286
Total	\$ 16,158,799	\$ 13,314,201

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>2022</u>	<u>2021</u>
Pharmacy rebates	114,345	1,671,110
Total	<u>\$ 114,345</u>	<u>\$ 1,671,110</u>

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 \$9,454,860 and \$7,850,512, as of June 30, 2022 and 2021 respectively, were calculated by the Trust's qualified actuary.

NOTE 6 – OTHER EXPENSES

Other expenses consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Operations expense		
Management fee	\$ 135,367	\$ 142,758
Rent	13,268	16,411
Supplies & Miscellaneous	2,043	293
Postage	18,531	13,997
Phone	6,459	16,473
Total Operations expense	<u>175,668</u>	<u>189,932</u>
Meeting expense	560	-
Other	5,966	7,443
Total	<u>\$ 182,194</u>	<u>\$ 197,375</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, 2022 and 2021, with a stop loss deductible of \$1,250,000 and \$1,000,000, respectively, per specific incident, with no annual or lifetime individual limit.

As of June 30, 2022 and 2021, the Trust has incurred \$710,013 and \$590,815 in stop loss premiums and the Trust has received \$64,810 and \$281,726 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.

	2022	2021
Financial assets at year end	\$ 65,564,066	\$ 56,544,646
Less those unavailable for general expenditures:		
Subsequent period premium assessment:		
South Buffalo Charter School		
Premium Advance	(111,100)	(111,078)
Financial assets available to meet cash needs for general expenditures within one year	\$ 65,452,966	\$ 56,433,568

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, 2022 and 2021, the Trust had an amount in excess of the required reserves in the amounts of \$52,424,675 and \$47,879,465, 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 Western region schools for their termination from the Trust effective:

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.

NOTE 15 – SUBSEQUENT EVENTS

Events and transactions which have occurred from June 30, 2022 through November 11, 2022, which is the date the financial statements were available to be issued, have been evaluated by the Trust's management.