

NY44 HEALTH BENEFITS PLAN TRUST
FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 and 2022



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, 2023, and 2022, 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, 2023 and 2022, 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.

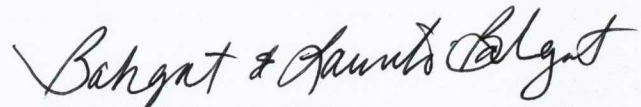
Auditor's Responsibilities for the Audit of the Financial Statements

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
Certified Public Accountants, P.C.
Fredonia, New York

October 12, 2023

NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF NET ASSETS
JUNE 30, 2023 and 2022

	2023	2022
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 58,286,362	\$ 49,290,922
Investments in securities	16,445,352	16,158,799
Accounts receivable	-	114,345
TOTAL ASSETS	\$ 74,731,714	\$ 65,564,066
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Deferred participants' contributions	\$ 3,423,958	\$ 3,573,431
Estimated health claims payable	11,689,928	9,454,860
TOTAL CURRENT LIABILITIES	15,113,886	13,028,291
NET ASSETS		
Without restriction	59,505,501	52,424,675
With restriction	112,327	111,100
TOTAL NET ASSETS	59,617,828	52,535,775
TOTAL LIABILITIES AND NET ASSETS	\$ 74,731,714	\$ 65,564,066

NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 and 2022

	2023			2022		
	Without Restriction	With Restriction	Total	Without Restriction	With Restriction	Total
REVENUES						
Participants' contributions	\$ 118,307,405	\$ -	\$ 118,307,405	\$ 115,098,680	\$ -	\$ 115,098,680
Drug subsidy	700,112	-	700,112	342,416	-	342,416
Interest income	847,130	1,227	848,357	373,153	22	373,175
Trust administrative fee revenues	880,620	-	880,620	861,392	-	861,392
Realized and unrealized change in investments, net	(318,688)	-	(318,688)	(1,101,973)	-	(1,101,973)
Pharmacy rebates	6,007,609	-	6,007,609	6,354,709	-	6,354,709
Stop loss insurance reimbursement	65,490	-	65,490	64,810	-	64,810
Total Revenues	126,489,678	1,227	126,490,905	121,993,187	22	121,993,209
EXPENSES						
Program Services	119,126,701	-	119,126,701	117,071,541	-	117,071,541
Management and General	282,151	-	282,151	376,436	-	376,436
Total Expenses	119,408,852	-	119,408,852	117,447,977	-	117,447,977
CHANGE IN NET ASSETS	7,080,826	1,227	7,082,053	4,545,210	22	4,545,232
NET ASSETS, at beginning of year	52,424,675	111,100	52,535,775	47,879,465	111,078	47,990,543
NET ASSETS, at end of year	\$ 59,505,501	\$ 112,327	\$ 59,617,828	\$ 52,424,675	\$ 111,100	\$ 52,535,775

See accompanying notes and independent auditor's report.

**NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 and 2022**

	<u>2023</u>			<u>2022</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	\$ 113,864,323	\$ -	\$ 113,864,323	\$ 112,107,310	\$ -	\$ 112,107,310
Total Claims	113,864,323	-	113,864,323	112,107,310	-	112,107,310
Administrative expenses						
Claims administration	3,668,137	-	3,668,137	3,409,897	-	3,409,897
Salaries and payroll taxes	-	194,667	194,667	-	153,712	153,712
Legal and consulting	817,434	9,767	827,201	736,784	9,738	746,522
Insurance	747,371	29,090	776,461	779,132	30,792	809,924
Patient-centered outcomes research fee	29,436	-	29,436	38,418	-	38,418
Other	-	48,627	48,627	-	182,194	182,194
Total Administrative	5,262,378	282,151	5,544,529	4,964,231	376,436	5,340,667
Total Expenses	\$ 119,126,701	\$ 282,151	\$ 119,408,852	\$ 117,071,541	\$ 376,436	\$ 117,447,977

NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,082,053	\$ 4,545,232
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized and unrealized change in investments	324,157	1,101,973
(Increase) decrease in current assets:		
Accounts receivable	114,345	1,556,765
Prepaid Expense	-	37,086
Increase (decrease) in current liabilities:		
Deferred participant contributions	(149,473)	2,869,840
Estimated health claims payable	2,235,068	1,604,348
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>9,606,150</u>	<u>11,715,244</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(15,161,883)	(5,794,000)
Proceeds from sale of investments	14,551,173	1,847,429
NET CASH USED IN INVESTING ACTIVITIES	<u>(610,710)</u>	<u>(3,946,571)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,995,440	7,768,673
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>49,290,922</u>	<u>41,522,249</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 58,286,362</u></u>	<u><u>\$ 49,290,922</u></u>

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 basis, 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, 2023 and 2022 totaled \$58,341,894 and \$49,294,267, 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>June 30, 2023</u>	<u>June 30, 2022</u>
A	\$ 500,000	\$ 500,000
B	57,841,894	48,794,267
C	-	-
Total	<u>\$ 58,341,894</u>	<u>\$ 49,294,267</u>

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).

	<u>2023</u>	<u>2022</u>
<u>Description</u>	<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>	<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>
Marketable Debt Securities		
Certificates of Deposits (greater than 90 day maturity)	\$ 52,502	\$ 455,795
Municipal Bonds	16,392,850	15,703,004
Total	<u>\$ 16,445,352</u>	<u>\$ 16,158,799</u>

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>2023</u>	<u>2022</u>
Pharmacy rebates	\$ -	\$ 114,345
Total	\$ -	\$ 114,345

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 \$11,689,928 and \$9,454,860, as of June 30, 2023 and 2022 respectively, were calculated by the Trust's qualified actuary.

NOTE 6 – OTHER EXPENSES

Other expenses consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Operations expense		
Management fee	\$ 600	\$ 135,367
Rent	10,025	13,268
Supplies & Miscellaneous	1,694	2,043
Postage	22,782	18,531
Phone	350	6,459
Total Operations expense	<u>35,451</u>	<u>175,668</u>
Meeting expense	314	560
Engagement Incentive	2,750	-
Marketing	2,852	-
Other	7,260	5,966
Total	\$ <u>48,627</u>	\$ <u>182,194</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, 2023 and 2022, with a stop loss deductible of \$1,125,000 and \$1,250,000, respectively, per specific incident, with no annual or lifetime individual limit.

As of June 30, 2023 and 2022, the Trust has incurred \$688,305 and \$710,013 in stop loss premiums and the Trust has received \$65,490 and \$64,810 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.

	2023	2022
Financial assets at year end	\$ 74,731,714	\$ 65,564,066
Less those unavailable for general expenditures:		
Subsequent period premium assessment:		
South Buffalo Charter School		
Premium Advance	(112,327)	(111,100)
Financial assets available to meet cash needs for general expenditures within one year	\$ 74,619,387	\$ 65,452,966

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, 2023 and 2022, the Trust had an amount in excess of the required reserves in the amounts of \$59,505,501 and \$52,424,675, 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:

<u>District</u>	<u>Date</u>
Depew Transportation Employee Association	June 30, 2023

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, 2023 through October 12, 2023 which is the date the financial statements were available to be issued, have been evaluated by the Trust's management.