

DUTCHESS EDUCATIONAL HEALTH
INSURANCE CONSORTIUM

FINANCIAL STATEMENTS

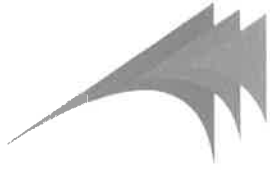
JUNE 30, 2021 and 2020

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

TABLE OF CONTENTS

JUNE 30, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	7
Notes to the Financial Statements	8



Sickler, Torchia
Allen & Churchill, CPA's, PC
Your Partner When It Counts

Robert J. Allen, CPA
Victor V. Churchill, CPA
Edward J. Gower II, CPA
Joseph J. Montalto, CPA
Craig R. Sickler, CPA
Michael A. Torchia, Jr., CPA, CVA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Dutchess Educational Health
Insurance Consortium
Poughkeepsie New York

We have audited the accompanying financial statements of the Dutchess Educational Health Insurance Consortium (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses 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 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.

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 financial position of the Dutchess Educational Health Insurance Consortium 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.

Siebler, Torchino, Allen & Churchill, CPA's P.C.

Hudson, New York
May 11, 2022

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<i>ASSETS</i>		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 171,013,770	\$ 160,406,757
Cash Reserve	8,469	2,456
Short-Term Investments	1,597,629	2,933,812
Accounts Receivable	7,618,758	5,221,687
Prepaid Expenses	<u>56,851</u>	<u>71,308</u>
Total Current Assets	<u>180,295,477</u>	<u>168,636,020</u>
NON CURRENT ASSETS:		
Long-Term Investments	<u>18,096,027</u>	<u>16,707,334</u>
Total Current Assets	<u>\$ 198,391,504</u>	<u>\$ 185,343,354</u>
<i>LIABILITIES AND NET ASSETS</i>		
LIABILITIES:		
Accounts Payable	\$ 7,949	\$ 9,661
Premiums Payable	6,458,466	3,464,417
Escrow Liability Reserve	20,311,000	20,311,000
Deferred Revenue	<u>26,415,172</u>	<u>24,798,969</u>
Total Liabilities	<u>53,192,587</u>	<u>48,584,047</u>
NET ASSETS:		
Without Donor Restriction	<u>145,198,917</u>	<u>136,759,307</u>
	<u>\$ 198,391,504</u>	<u>\$ 185,343,354</u>

See independent auditor's report and notes to the financial statements.

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUE FROM OPERATIONS:		
Premiums	\$ 239,338,621	\$ 258,109,150
Medicare - Drug	3,083,807	3,091,025
Rebates	9,871,078	5,736,207
Settlements	-	-
Penalties	95	907
	<u>252,293,601</u>	<u>266,937,289</u>
EXPENSES:		
Program Expense	243,135,662	227,187,729
General and Administrative	796,738	817,243
	<u>243,932,400</u>	<u>228,004,972</u>
INCOME (LOSS) FROM OPERATIONS	<u>8,361,201</u>	<u>38,932,317</u>
OTHER INCOME:		
Interest Designated for Current Operations	378,992	2,173,779
Realized Gain/(Losses)	207,189	24,191
	<u>586,181</u>	<u>2,197,970</u>
OTHER CHANGES IN NET ASSETS:		
Change in Market Value of Investments	(507,772)	438,630
	<u>(507,772)</u>	<u>438,630</u>
INCREASE (DECREASE) IN NET ASSETS	8,439,610	41,568,917
NET ASSETS, BEGINNING	<u>136,759,307</u>	<u>95,190,390</u>
NET ASSETS, ENDING	<u>\$ 145,198,917</u>	<u>\$ 136,759,307</u>

See independent auditor's report and notes to the financial statements.

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	Program Expenses	General and Administrative	Total
Premium Expense			
Drug	\$ 72,175,638	\$ -	\$ 72,175,638
Medical	159,224,131	-	159,224,131
Other	<u>11,735,893</u>	<u>20,700</u>	<u>11,756,593</u>
Total Premium Expense	<u>243,135,662</u>	<u>20,700</u>	<u>243,156,362</u>
Non Claim Related Expense			
Billing/Enrollment	-	427,730	427,730
Consulting Fees	-	60,000	60,000
Administrative Fees	-	140,715	140,715
Empire Administrative Fees	-	32,250	32,250
Insurance	-	37,236	37,236
Professional Fees	<u>-</u>	<u>78,107</u>	<u>78,107</u>
Total Non Claim Related Expense	<u>-</u>	<u>776,038</u>	<u>776,038</u>
Total Expenses	<u>\$ 243,135,662</u>	<u>\$ 796,738</u>	<u>\$ 243,932,400</u>

See independent auditor's report and notes to the financial statements.

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	Program Expenses	General and Administrative	Total
Premium Expense			
Drug	\$ 64,803,256	\$ -	\$ 64,803,256
Medical	150,857,491	-	150,857,491
Other	<u>11,526,982</u>	<u>20,300</u>	<u>11,547,282</u>
Total Premium Expense	<u>227,187,729</u>	<u>20,300</u>	<u>227,208,029</u>
Non Claim Related Expense			
Billing/Enrollment	-	424,358	424,358
Consulting Fees	-	60,000	60,000
Administrative Fees	-	138,820	138,820
Empire Administrative Fees	-	32,250	32,250
Insurance	-	34,142	34,142
Professional Fees	<u>-</u>	<u>107,373</u>	<u>107,373</u>
Total Non Claim Related Expense	<u>-</u>	<u>796,943</u>	<u>796,943</u>
Total Expenses	<u>\$ 227,187,729</u>	<u>\$ 817,243</u>	<u>\$ 228,004,972</u>

See independent auditor's report and notes to the financial statements.

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES:		
Collections from Operations	\$ 251,512,733	\$ 267,898,860
Interest Income	586,181	2,197,970
Deduct Operating Uses of Cash and Equivalents:		
Payments of Operating Expenses	<u>(240,925,606)</u>	<u>(231,134,592)</u>
Net Cash Provided by Operating Activities	<u>11,173,308</u>	<u>38,962,238</u>
INVESTING ACTIVITIES:		
Purchase of Investments	(8,101,054)	(11,098,658)
Sale of Investments	<u>7,540,772</u>	<u>10,702,136</u>
Net Cash Provided (Used) by Investing Activities	<u>(560,282)</u>	<u>(396,522)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	10,613,026	38,565,716
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>160,409,213</u>	<u>121,843,497</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 171,022,239</u>	<u>\$ 160,409,213</u>

*RECONCILIATIONS OF INCREASE (DECREASE) IN NET ASSETS TO CASH PROVIDED
BY OPERATING ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2021 and 2020.*

Increase (Decrease) in Net Assets	\$ 8,439,610	\$ 41,568,917
Add (Deduct) Expenses Not Using Working Capital		
Change in Market Value	<u>507,772</u>	<u>(438,630)</u>
Working Capital Provided (Used) by Operating Activities	<u>8,947,382</u>	<u>41,130,287</u>
Add (Deduct) Changes in Non-Cash Working Capital and Non-Operating Items:		
(Increase) Decrease in Accounts Receivable	(2,397,071)	1,579,711
(Increase) Decrease in Prepaid Expenses	14,457	(981)
Increase (Decrease) in Accounts Payable	(1,712)	(618,284)
Increase (Decrease) in Premiums Payable	2,994,049	(2,510,355)
Increase (Decrease) in Escrow Liability Reserve	-	-
Increase (Decrease) in Deferred Revenue	<u>1,616,203</u>	<u>(618,140)</u>
Working Capital Used by Non-Operating Activities	<u>2,225,926</u>	<u>(2,168,049)</u>
Net Cash Provided by Operating Activities	<u>\$ 11,173,308</u>	<u>\$ 38,962,238</u>

See independent auditor's report and notes to the financial statements.

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization:

The Dutchess Educational Health Insurance Consortium (Consortium) is a Trust formed under New York State Insurance Law on June 30, 1988. Its purpose is to provide health insurance coverage at a lower rate for member education institutions due to a larger participation pool. Revenues are predominately from premiums. The members of the consortium are as follows:

Arlington Central School District
Dover Union Free School District
Dutchess County BOCES
Dutchess Community College
Ellenville Central School District
Fallsburg Central School District
Hyde Park Central School District
Liberty Central School District
Livingston Manor Central School District
Millbrook Central School District
Onteora Central School District
Pawling Central School District
Pine Plains Central School District
Poughkeepsie City School District
Red Hook Central School District
Rhinebeck Central School District
Roscoe Central School District
Saugerties Central School District
Spackenkill Union Free School District
Sullivan County BOCES
Sullivan West Central School District
Ulster County BOCES
Walkill Central School District
Wappingers Central School District
Webutuck Central School District

B. Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Consortium and changes therein are classified and reported as follows:

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

I. Net Assets Without Donor Restrictions:

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations.

II. Net Assets With Donor Restrictions:

Net assets with donor restrictions are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Consortium and/or the passage of time. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

C. Fund Accounting:

The ensure observance of limitations and restrictions placed on the use of the resources available to the Consortium are maintained in accordance with the principles of “Fund Accounting”. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund.

D. Deferred Revenue:

Deferred revenue in the unrestricted fund results from premiums received or receivable that are for next year’s premiums due to the provider.

E. Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Cash and Cash Equivalents:

Cash and cash equivalents are comprised of monies on hand and in the bank, plus short-term investments with original maturities of less than three months.

G. Cash Reserve:

The Consortium records a cash reserve for funds in a catalyst account controlled by Empire BlueCross/BlueShield. The account is used to pay claim expenses approved for payment by Empire BlueCross/BlueShield.

H. Investment Securities:

Accounting for certain investments held by not-for-profit organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

See independent auditor’s report.

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

I. Accounts Receivable:

Accounts receivable are carried at their estimated collectable amounts. Amounts are considered receivable if funds are anticipated to be received within three months of the fiscal year end.

J. Adoption of Minimum Premium Funding Plan:

The Consortium adopted a minimum premium funding plan for payments to providers that took effect on January 1, 2004, in an effort to control costs. The minimum premium is calculated based on claims experience and a methodology set forth in the rider filed with the NYS Department of Financial Services.

K. Basis of Revenue Recognition:

The Cooperative recognition of revenue with the policy effective date based on the premise that the revenue has been earned in the placement of the policy.

NOTE 2 – CHANGE IN PRESENTATION OF FINANCIAL STATEMENTS:

Effective July 1, 2020, the Consortium changed its accounting method for revenue recognition as a result of implementing the requirements in the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, as applicable under Accounting Standards Update 2020-05.

The new revenue recognition guidance requires the recognition of revenue with the policy effective date based on the premise that the revenue has been earned in the placement of the policy. Under this standard recognition is focused on the effective date of the policy when control of the policy transfers to the client. The Consortium adopted the requirements of the new revenue recognition guidance as of July 1, 2020, utilizing the full retrospective transition method. A practical expedient was applied for revenue contracts that began and ended in the same year. Though these contracts were not restated, the effect of applying this shortcut was not significant to the financial statements. Further, the Consortium has been recognizing revenues based on policy effective dates for several years and eligibility for contingent revenues is calculated on the same year end, further minimizing impact of adoption of the standard.

NOTE 3 – CASH AND CASH EQUIVALENTS:

A. Cash:

The Consortium's investment policies are governed by the Board of Trustees.

Deposits and investments at year-end were entirely covered by Federal Deposit Insurance or by collateral held by the Consortium's custodial bank in the Consortium's name.

See independent auditor's report.

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 and 2020

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED):

They consisted of:

Fund	Book Balance	Bank Balance	FDIC Insurance	Collateral Held by Unit's Custodial Bank
Operating	\$ 8,469	\$ 82,215	\$ 82,215	\$ -
Operating	10,195	10,195	10,195	-
Reserve	5,163,064	5,163,064	250,000	4,913,064
Total Deposits	<u>\$ 5,181,728</u>	<u>\$ 5,255,474</u>	<u>\$ 342,410</u>	<u>\$ 4,913,064</u>

B. Investment Pool:

The Consortium participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2021, the Consortium held \$165,840,510 in investments consisting of various investments in securities issued by the United States and its agencies. The investments are highly liquid and are considered to be cash and cash equivalents.

The amount represented in the investment pool is considered to approximate market value.

C. Summary of Cash and Cash Equivalents:

	2021	2020
Cash	\$ 5,181,728	\$ 2,098,646
Investments	165,840,510	158,310,567
	<u>\$ 171,022,238</u>	<u>\$ 160,409,213</u>

NOTE 4 – LIQUIDITY AND AVAILABILITY:

The following reflects the Consortium's financial assets as of the balance sheet date, reduced by amounts available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2021	2020
Financial Assets at Year-End	\$ 198,391,504	\$ 185,343,354
Less those unavailable for general expenses within one year, due to:		
Prepays	56,851	71,308
Donor Restricted O&M Payments	-	-
Financial Assets available to meet cash needs for general expenses within one year	<u>\$ 198,334,653</u>	<u>\$ 185,272,046</u>

See independent auditor's report.

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 and 2020

NOTE 4 – LIQUIDITY AND AVAILABILITY (CONTINUED):

As part of Consortium’s liquidity management, it invests cash in excess of daily requirements in short-term investments, typically U.S. Treasury bills.

NOTE 5 – INVESTMENTS:

The Organization held \$19,693,656 and \$19,641,146 in United States government agency obligations at June 30, 2021 and 2020, respectively. The investments are stated at fair value in the financial statements and include unrealized appreciation as summarized below:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Fixed Income:				
US Government/Agency Obligations	<u>\$ 19,693,656</u>	<u>\$ 19,602,010</u>	<u>\$ 19,641,146</u>	<u>\$ 19,041,728</u>

The schedule below summarizes the investment return of the aforementioned investments and other interest bearing cash accounts and deposit certificates maintained by the Organization:

	2021	2020
Interest	\$ 378,992	\$ 2,173,779
Net Realized/Unrealized Gains (Losses)	<u>(300,583)</u>	<u>462,821</u>
	<u>\$ 78,409</u>	<u>\$ 2,636,600</u>

NOTE 6 – PREPAID PREMIUMS/PREMIUMS PAYABLE:

The Consortium makes estimated deposits of premiums into a bank account that Empire Blue Cross/Blue Shield disburses claims out of. At the end of the year, if more funds have been deposited than are paid out for claims, the surplus is classified as Prepaid Premiums. Correspondingly, if fewer funds have been deposited than are paid out, the deficit is classified as Premiums Payable. There was no surplus for the years ended June 30, 2021 and 2020, respectively.

NOTE 7 – PREMISES:

The by-laws of the Consortium require that all records and Board meetings will be held at the Dutchess County Board of Cooperative Educational Services’ (Dutchess County BOCES) Administration Building.

NOTE 8 – DONATED SERVICES:

The value of donated services is not reflected in the accompanying financial statements since there is no effective measurable basis available by which to value such services.

See independent auditor’s report.

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 and 2020

NOTE 9 – NET ASSETS:

The amounts contained in fund balance are both current and unrestricted.

NOTE 10 – CONTRACTS:

The Consortium has a contract with Empire BlueCross/BlueShield and with Rose and Kiernan, Inc.

The contract with Empire BlueCross/BlueShield is for group health insurance coverage that is renewed annually and rates adjusted on an annual basis. The contract has presently been renewed through June 30, 2022.

The contract with Rose and Kiernan, Inc. is for billing and enrollment administrative services. Rose and Kiernan, Inc., received \$2.81 and \$2.81 per Consortium contract per month for the years ended June 30, 2021 and 2020, respectively. Fees for these services were \$427,730 and \$424,358 for the years ended June 30, 2021 and 2020, respectively. In addition, Rose and Kiernan, Inc. received \$60,000 for annual consulting services. The contract has been renewed through June 30, 2025.

NOTE 11 – TAX-EXEMPT STATUS:

The Organization files annual information tax returns with the Internal Revenue Service and the New York State Department of Law – Charities Bureau.

A. Interest and Penalties related to Income Taxes:

During the years ended June 30, 2021 and 2020, the Organization recognized approximately \$0 and \$0 in interest and penalties. The Organization has accrued approximately \$0 and \$0 for the payment of interest and penalties as of June 30, 2021 and 2020, respectively.

B. Uncertain Tax Positions:

The Organization does not believe that it has any uncertain tax positions that could result in a more likely than not conclusion that could result in an increase in tax liability during the next 12 months.

NOTE 12 – RELATED PARTIES:

The Consortium shares facilities with Dutchess County BOCES, who owns the facilities. In addition, Dutchess County BOCES supplies administration, management, and clerical support to the Consortium. There was a charge of \$140,715 and \$138,820 for these services for the years ended June 30, 2021 and 2020, respectively.

NOTE 13 – FAIR VALUE MEASUREMENTS:

A. Major categories of assets and liabilities measured at fair value on a recurring basis comprise the following:

See independent auditor's report.

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 and 2020

NOTE 13 – FAIR VALUE MEASUREMENTS (CONTINUED):

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable (Level 3)
As of June 30, 2021				
Assets				
Investments	\$ 19,693,656	\$ 19,693,656	\$ -	\$ -
As of June 30, 2020				
Assets				
Investments	\$ 19,641,146	\$ 19,641,146	\$ -	\$ -

- ❖ Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ❖ Level 2 Inputs: Directly or indirectly observable (market based) information. This includes quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- ❖ Level 3 Inputs: Unobservable inputs for the asset or liability for which there is no market data, or for which asset and liability values are not correlated with market value. As needed impairments in value are recognized as a reduction in fair value.

The table below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at the fair value and classified as Level 3 in their fair value hierarchy:

	2021	2020
Balance at Beginning of Period	\$ -	\$ -
Transfers in and/or out of Level 3	-	-
Balance at End of Period	\$ -	\$ -

There were no transfers into Level 3 from Level 2 or transfers out of Level 3 because of observable market data becoming available for either period.

B. Other Fair Value Disclosures:

Financial instruments are recorded at carrying value in the financial statements, however the fair value of these instruments is disclosed below in accordance with current accounting guidance related to financial instruments.

The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate that value:

- I. Cash and Cash Equivalents: approximates carrying value due to the initial maturities of the instruments being three months or less.
- II. Investments: the fair value is determined based upon readily available markets in which to trade the related security.
- III. Accounts Receivable and Prepaid Expenses: the carrying value amounts approximate fair value because of the short term to collection of the instrument.
- IV. Accounts Payable and Accrued Expenses: the carrying amounts approximate fair value because of the short term to liquidation of the instruments.

See independent auditor's report.

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 and 2020

NOTE 14 – COMMITMENTS AND CONTINGENCIES:

A. An Outstanding Claims Provision:

Historically, there was an annual settlement calculation to determine the Consortium's contribution/refund amount to/from Empire BlueCross/BlueShield. During fiscal year 2018, the Consortium had changed to Empire BlueCross/BlueShield's WellPoint Group System (WGS). There is a monthly reconciliation completed and the included on the monthly claims invoice from BlueCross/BlueShield.

B. Escrow Reserve:

The amount of the Closing Claim Reserve maintained under an escrow agreement with RBC Capital Markets Corporation and Empire Health Choice Assurance, Inc. as of June 30, 2021 and 2020 amounted to \$20,311,000 and \$20,311,000, respectively. The asset account at June 30, 2021 and 2020 amounted to \$21,337,275 and \$21,328,134, respectively. The Escrow Agreement was renewed effective July 1, 2021 through June 30, 2022, and shall renew on July 1 of each successive year for additional one year term, for \$20,311,000, and will remain at that level, unless increased as a result of a request made by Empire BlueCross/BlueShield.

C. Risks Related to Coronavirus (COVID-19):

Management continues to evaluate the effects of the COVID-19 matter, considering the facts and circumstances related to the impact of the virus on the Consortium's industry and has concluded that while it is reasonably possible that the virus could have a negative effect on Consortium's financial position and, results of its operations, the specific impact is not readily available as of the date of these statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

1. The Consortium has complied with guidance issued by Center for Disease Control and will work diligently to continue complying.
2. The Consortium does not anticipate any loss of revenue from the premiums.

NOTE 15 – NET ASSETS:

The revision of by-laws on September 27, 2017 provided for allocations of fund balances into accounts to maintain funds necessary to meet all trust obligations (including obligations incurred but not reported); for premiums or premium equivalent rate stabilization; and to meet the requirements of Article 47 of the Insurance law.

The Board shall evaluate its funding arrangement on a yearly basis to determine whether funding under Article 47 is in the best interest of the Trust Participant.

DUTCHESS EDUCATIONAL HEALTH INSURANCE CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 and 2020

NOTE 15 – NET ASSETS (CONTINUED):

<u>Unrestricted Net Assets</u>	<u>2021</u>	<u>2020</u>
Board Designated		
Retiree Drug Subsidy Reserve	\$ 10,154,091	\$ 10,418,053
Unrestricted	<u>135,044,826</u>	<u>126,341,254</u>
Total Unrestricted Net Assets	<u>\$ 145,198,917</u>	<u>\$ 136,759,307</u>

NOTE 16 – SUBSEQUENT EVENTS:

A. Date Through Which Subsequent Events Evaluated:

The date to which events after June 30, 2021, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure May 11, 2022 which is the date on which the financial statements were available to be issued.