
***NEW HAMPSHIRE INDIVIDUAL
HEALTH PLAN BENEFIT
ASSOCIATION***

FINANCIAL STATEMENTS

***FOR THE YEAR ENDED
DECEMBER 31, 2016***

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INDEPENDENT AUDITORS REPORT

To the Audit Committee
New Hampshire Individual Health Plan Benefit Association
Concord, New Hampshire

We have audited the accompanying financial statements of New Hampshire Individual Health Plan Benefit Association (a Non-Profit Organization), which comprise the statement of financial position as of December 31, 2016, and the related statement of activities and changes in net assets and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial position of New Hampshire Individual Health Plan Benefit Association as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note B to the financial statements, the Association's main purpose had been to facilitate the availability of affordable individual non-group health insurance which was mandated by New Hampshire State law. The New Hampshire legislature recently amended the Association's enabling law to require the Association to wind down its high risk pool and subsidy mechanism programs and then, beginning October 1, 2016, to continue in existence for the limited purpose of collecting assessments on behalf of the State of New Hampshire in support of the New Hampshire Marketplace Premium Assistance Program. As directed by state law, the Association reallocated the remaining net assets from the high risk pool and subsidy mechanism programs totaling \$2,671,026 to the Premium Assistance Program. The termination of the high risk pool and subsidy mechanism programs also caused significant reductions in program funding and program expenses, and no assets or liabilities for the year ending December 31, 2016 when compared to those activities of December 31, 2015. Additionally, prior to the passing of the amendment to its enabling law, the non-profit Association was exempt from federal income tax pursuant to Section 501(c)(26), which exemption continued through September 30, 2016. In recognition of the mandated operational changes described above, the Association will file its final Form 990 for 2016. As of October 1, 2016, the Association will assert exemption from federal income tax under Section 115 of the Internal Revenue Code.

Report on Summarized Comparative Information

We have previously audited New Hampshire Individual Health Plan Benefit Association's 2015 financial statements, and our report dated May 13, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Mason + Rich, P.A.

MASON + RICH PROFESSIONAL ASSOCIATION
Certified Public Accountants

May 17, 2017

NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
 STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2016

	ASSETS				
	Premium Assistance Program	High Risk Pool	Consumer Assistance Grant	2016	2015
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 940,579	\$ -	\$ -	\$ 940,579	\$ 1,204,122
Grants Receivable	-	-	-	-	592,814
Interest Receivable	-	-	-	-	6,174
Prepaid Expenses	7,131	-	-	7,131	26,974
Short-Term Investments	-	-	-	-	1,632,942
TOTAL CURRENT ASSETS	947,710	-	-	947,710	3,463,026
TOTAL ASSETS	\$ 947,710	\$ -	\$ -	\$ 947,710	\$ 3,463,026

The Accompanying Notes are an Integral Part of These Financial Statements

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
 STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2016

LIABILITIES AND NET ASSETS

	Premium Assistance Program	High Risk Pool	Consumer Assistance Grant	2016	2015
CURRENT LIABILITIES					
Accounts Payable	\$ 1,072	\$ -	\$ -	\$ 1,072	\$ 30,207
Accrued Expenses	18,353	-	-	18,353	627,853
TOTAL CURRENT LIABILITIES	<u>19,425</u>	<u>-</u>	<u>-</u>	<u>19,425</u>	<u>658,060</u>
NET ASSETS					
Unrestricted					
High Risk Pool Program	-	-	-	-	3,390,303
Subsidy Mechanism Program	-	-	-	-	(585,337)
Temporarily Restricted	928,285	-	-	928,285	-
TOTAL NET ASSETS	<u>928,285</u>	<u>-</u>	<u>-</u>	<u>928,285</u>	<u>2,804,966</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 947,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 947,710</u>	<u>\$ 3,463,026</u>

NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Premium Assistance Program	High Risk Pool	Subsidy Mechanism	Consumer Assistance Grant	2016	2015
GRANTS AND OTHER SUPPORT						
Miscellaneous Income	36	12	-	-	48	-
Interest	1,493	4,636	-	-	6,129	8,078
Contract Revenue	-	-	-	-	-	4,485
Grant Revenue	-	-	-	658,974	658,974	4,403,203
Premium and Claim Refunds	-	41,600	-	-	41,600	174,053
<i>Total Assessments, Gains and Other Support</i>	<u>1,529</u>	<u>46,248</u>	<u>-</u>	<u>658,974</u>	<u>706,751</u>	<u>4,589,819</u>
EXPENSES AND OTHER DEDUCTIONS						
PROGRAM DISBURSEMENTS						
Carrier Subsidies	-	-	-	-	-	4,686
NH Health Protection Program Fund	1,697,001	-	-	-	1,697,001	-
Loss and Loss Adjustment	-	-	-	-	-	4,485
Public Information	149	1,050	-	-	1,199	2,275
Marketing Outreach	-	-	-	218,330	218,330	951,216
State Agency Initiative	-	-	-	-	-	327,713
<i>Total Program Disbursements</i>	<u>1,697,150</u>	<u>1,050</u>	<u>-</u>	<u>218,330</u>	<u>1,916,530</u>	<u>1,290,375</u>
OFFICE						
Office Supplies	176	487	-	214	877	1,231
Bank Fees	36	24	-	122	182	103
Postage and Shipping	-	472	-	-	472	1,360
Printing	-	250	-	-	250	654
Rent Expense	-	-	-	1,000	1,000	12,000
Telephone	-	81	-	-	81	94
<i>Total Office</i>	<u>212</u>	<u>1,314</u>	<u>-</u>	<u>1,336</u>	<u>2,862</u>	<u>15,442</u>

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Premium Assistance Program	High Risk Pool	Subsidy Mechanism	Consumer Assistance Grant	2016	2015
ADMINISTRATION						
Administrative Services	\$ 36,000	\$ 108,000	\$ -	\$ 306,808	\$ 450,808	\$ 1,649,223
Professional Fees	7,804	59,881	-	16,970	84,655	84,197
Marketing Outreach - Admin	-	-	-	75,440	75,440	239,154
In-Person Assistance - Admin	-	-	-	40,090	40,090	1,309,872
<i>Total Administration</i>	<u>43,804</u>	<u>167,881</u>	<u>-</u>	<u>439,308</u>	<u>650,993</u>	<u>3,282,446</u>
BOARD						
Insurance	3,050	9,150	-	-	12,200	12,750
Travel	-	-	-	-	-	745
Board Meetings	54	787	-	-	841	626
<i>Total Board</i>	<u>3,104</u>	<u>9,937</u>	<u>-</u>	<u>-</u>	<u>13,041</u>	<u>14,121</u>
TOTAL EXPENSES AND OTHER DEDUCTIONS	<u>1,744,270</u>	<u>180,182</u>	<u>-</u>	<u>658,974</u>	<u>2,583,426</u>	<u>4,602,384</u>
Excess (Deficit) of Grants and Other Support Over Expenses and Other Deductions	(1,742,741)	(133,934)	-	-	(1,876,675)	(12,565)
Net Change in Realized Loss on Investments	-	(6)	-	-	(6)	-
Net Change in Unrealized Gains (Losses) on Investments	-	-	-	-	-	(58)
DECREASE IN NET ASSETS	<u>(1,742,741)</u>	<u>(133,940)</u>	<u>-</u>	<u>-</u>	<u>(1,876,681)</u>	<u>(12,623)</u>
<i>Net Assets, Beginning of Year</i>	-	3,390,303	(585,337)	-	2,804,966	2,817,589
Program Reallocation - See Note B	<u>2,671,026</u>	<u>(3,256,363)</u>	<u>585,337</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 928,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 928,285</u>	<u>\$ 2,804,966</u>

The Accompanying Notes are an Integral Part of These Financial Statements

NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Premium Assistance Program	High Risk Pool	Consumer Assistance Grant	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES					
Decrease in Net Assets	\$ (1,742,741)	\$ (133,940)	\$ -	\$ (1,876,681)	\$ (12,565)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:					
Realized and Unrealized (Gain) Loss on Investment (Increase) Decrease in Operating Assets:	-	6	-	6	(58)
Grants Receivable	-	-	592,814	592,814	(116,218)
Interest Receivable	-	6,174	-	6,174	(4,279)
Prepaid Expenses	(7,131)	10,335	16,639	19,843	7,361
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	1,072	(30,207)	-	(29,135)	(28,465)
Accrued Expenses	18,353	(18,400)	(609,453)	(609,500)	129,496
Loss Reserves	-	-	-	-	(97,000)
Total Adjustments	12,294	(32,092)	-	(19,798)	(109,163)
<i>Net Cash Used in Operating Activities</i>	<u>(1,730,447)</u>	<u>(166,032)</u>	<u>-</u>	<u>(1,896,479)</u>	<u>(121,728)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Maturity of Investments	-	6,444,936	-	6,444,936	1,494,000
Purchase of Investments	-	(4,812,000)	-	(4,812,000)	(1,881,942)
<i>Net Cash Provided by (Used in) Investing Activities</i>	<u>-</u>	<u>1,632,936</u>	<u>-</u>	<u>1,632,936</u>	<u>(387,942)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,730,447)	1,466,904	-	(263,543)	(509,670)
<i>Cash and Equivalents, Beginning of Year</i>	-	1,204,122	-	1,204,122	1,713,792
<i>Program Reallocation - See Note B</i>	2,671,026	(2,671,026)	-	-	-
<i>Cash and Equivalents, End of Year</i>	<u>\$ 940,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 940,579</u>	<u>\$ 1,204,122</u>

The Accompanying Notes are an Integral Part of These Financial Statements

NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

A | NATURE OF BUSINESS

New Hampshire Individual Health Plan Benefit Association (the Association) is a not-for-profit organization established by the State of New Hampshire under Chapter 404-G of the New Hampshire Revised Statutes Annotated (“RSA 404-G”). The Association has made available individual health insurance to New Hampshire residents who are considered medically uninsurable or who otherwise qualify based on federal and state guidelines. The Association has operated a subsidy mechanism whereby the risk of catastrophic claims experienced by writers of health insurance for individual policyholders in New Hampshire is offset to a predetermined, limited extent by a financial subsidy furnished to licensed writers of all health insurance in New Hampshire, on an equitable and proportional basis.

The Association’s membership consists, by statute, of all insurers licensed to transact health insurance in the state that offer policies for major medical coverage on an expense-incurred basis and all licensed hospitals, medical service corporations, or other organizations, if any, in the state that offer subscriber contracts for major medical coverage.

State High Risk Pool

The Association’s purpose has been to facilitate the availability of affordable individual non-group health insurance. Given the establishment under the Affordable Care Act (ACA) of an individual health insurance market place (the Marketplace) and a restriction on insurance carriers prohibiting them from denying individual health insurance because of pre-existing conditions effective January 1, 2014, the New Hampshire General Court determined that the programs operated by the Association were no longer necessary. RSA 404-G was amended by Chapter 200 of the 2013 Legislative Session to direct the Association to transition the enrollees in its high risk pool to the Marketplace, cease providing health care coverage through the high risk pool, and wind down its affairs.

Under RSA 404-G:12, the Commissioner was required to determine whether high risk pool enrollees had access to guaranteed issue coverage in the commercial marketplace beginning January 1, 2014. The Commissioner found access issues with the Marketplace coverage and ordered the Association to continue existing coverage in the high risk pool until June 30, 2014. As a result of this order, all enrollees in the high risk pool as of December 31, 2013 who chose to remain enrolled, had access to health care coverage through the high risk pool until June 30, 2014 (the “Risk Pool Cessation Date”). The Association provided notice to such enrollees on or before April 1, 2014 that the Association’s coverage terminated as of June 30, 2014.

Pursuant to the terms of the Association’s Plan of Operation, individuals covered under the state high risk pool were required to submit claims for coverage no later than June 30, 2015. As a result, the Association is not liable for claims incurred before the Risk Pool Cessation Date but not reported (IBNR) to the Association by June 30, 2015. The Association concluded its operation of the State High Risk Pool by September 30, 2016.

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

Subsidy Mechanism

As required by RSA 404-G:11, the Risk-Sharing Subsidy Mechanism and the Under 19 Subsidy Mechanism ended for any losses experienced after December 31, 2013. In accordance with the Association's plan of operation, eligible carriers which seek a subsidy for losses experienced in calendar year 2013 were required to file a subsidy application not later than July 1, 2015. The Association concluded its operation of these Subsidy Mechanisms in 2015.

Assessments Related to the State High Risk Pool and the Subsidy Mechanisms

The Association received a quarterly assessment from its members to cover underwriting losses of the state high risk pool plans and the operating and administrative expenses incurred by the Association to conduct its affairs. It also assessed members an actuarially determined amount to fund subsidies for catastrophic claims and for losses in connection with individual health insurance policies issued to persons under 19 years old incurred by licensed health insurance writers in New Hampshire. Additional funding was received from the U.S. Department of Health and Human Services through a grant to offset operational losses in state high risk pools.

As directed by RSA 404-G:5 and RSA 404-G:5-a, the mechanism for administering and collecting assessments against members will remain in accordance with the Plan of Operation until all the obligations of the Association are satisfied in full. Management has evaluated the Association's cash reserves since the Risk Pool Cessation Date and has determined that the reserves will be adequate to satisfy all the debts and liabilities of the Association. There were no assessments levied or collected for these activities after 2013, and no special assessments were required.

Consumer Assistance Grant

Effective September 30, 2013, the Association was awarded a Consumer Assistance Partnership Exchange Grant from the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) for \$5.373 million to support the establishment of the Individual Market Place in New Hampshire under the Affordable Care Act. Under the terms of the Grant agreement the Association procured and directed vendors to provide marketplace assistance and outreach and education across New Hampshire for the nine months ended July 1, 2014. CMS awarded the Association a limited no-cost extension for certain funds to be obligated and paid before December 31, 2014. All Grant funds awarded under the initial grant were fully obligated and paid by the Association as of December 31, 2014.

Effective May 2, 2014, CMS awarded the Association a second Consumer Assistance Partnership Exchange Grant in the amount of \$3,218,753 to continue to support the establishment of the New Hampshire Marketplace under the Affordable Care Act (the "Second Grant"). The initial Second Grant period expired on December 31, 2014 but on November 24, 2014 the Association received approval allowing to extend the obligation and payment of up to \$1,049,222 of the Second Grant to December 31, 2015. All grant funds awarded under the Second Grant were obligated and paid on a timely basis.

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

Effective December 17, 2014, CMS awarded the Association a third Grant in the amount of \$3,385,882 to further support the establishment of the New Hampshire Marketplace under the Affordable Care Act (the "Third Grant"). The Third Grant period began on December 17, 2014 and was scheduled to expire on December 16, 2015, but on November 24, 2015 CMS extended the obligation and payment of up to \$1,843,440 of the Third Grant funds until June 16, 2016. During 2016, \$2,995,889 of the Third Grant funds were obligated and paid on a timely basis, and the balance of \$38,993 expired as unobligated funds. The Association concluded its Third Grant activity by September 30, 2016.

New Hampshire Marketplace Premium Assistance Program Support

In its 2016 session, the New Hampshire legislature passed a law, known as House Bill 1696 (HB 1696), which was signed by the Governor and became effective April 5, 2016. HB 1696 amended various existing statutes, including RSA 404-G (the "2016 Statutory Amendments"). The 2016 Statutory Amendments essentially require the Association to continue in existence for the sole and limited purpose of collecting assessments on behalf of the State of New Hampshire in support of the New Hampshire Marketplace Premium Assistance Program established under New Hampshire RSA 126-A:5(XXV).

Specifically, the Statutory Amendments made the following changes to RSA 404-G. First, they expanded the Association's corporate purpose to include support of the State's marketplace premium assistance program, a component of the New Hampshire Health Protection Program which expands Medicaid coverage (the "Program"). Second, to fulfill this purpose, the Statutory Amendments require the Association to collect from its members for the period from January 1, 2017 through December 31, 2018 fifty percent (50%) of the so-called "remainder amount" due under the Program for deposit into the New Hampshire Health Protection Trust Fund. The "remainder amount" is defined as the total cost of the Program less federal reimbursements. Third, the Statutory Amendments require the Association to amend its Plan of Operation and Termination by October 1, 2016 to continue the Association for the limited purpose of collecting and remitting the above-described assessments for the State's Program, and to require that any excess funds remaining after the cessation of the Association's state high risk pool and subsidy mechanism activities and the payment of related liabilities be included in the Association's remittances constituting fifty percent (50%) of the remainder amount under the Program.

As required by the 2016 Statutory Amendments, the Association adopted an Amended and Restated Plan of Operation and Termination (the "Amended Plan") which was approved by the Commissioner of the New Hampshire Department of Health and Human Services and by the Commissioner of the New Hampshire Insurance Department (sometimes collectively referred to as the "Commissioners"). The Amended Plan will guide and govern the remainder of the Association's operations and the winding down of the corporation.

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

B | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed or permitted by the New Hampshire Insurance Department, which differ from statutory accounting practices prescribed or permitted by the National Association of Insurance Commissioners Statutory Accounting Practices (NAIC SAP). A reconciliation of the Association's GAAP equity and NAIC SAP statutory surplus is not included within these financial statements due to the immateriality of differences.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less when purchased.

Member Assessments – State's Marketplace Premium Assistance Program

The Statutory Amendments require that each year the Commissioner of the New Hampshire Department of Health and Human Services, after consultation with the Commissioner of the New Hampshire Insurance Department, will report the "remainder amount" for the next calendar year to the Association (and others). Further, the Association is required to calculate and report, by November 1st of the year preceding the assessment year, an assessment rate per member per month utilizing carrier's prior experience and seeking to collect fifty percent of the remainder amount plus the Association's expenses. The Association obtained the approval of the New Hampshire Insurance Commissioner for the assessment rate established as of November 1, 2016. Interest is charged to members on assessments not paid within 45 days after each calendar quarter. If necessary, the Board may establish one or more special assessment rates to satisfy all debts and liabilities of the Association, including the collection of 50% of the "remainder amount" due to the New Hampshire Health Protection Trust Fund. No special assessments have been charged to the insurance carriers.

Investments

The Association carries held to maturity investments at their fair value on the statement of financial position. Realized and unrealized gains and losses on securities in the investment portfolio are allocated to each class of net assets on a specific-identification basis and are included in the accompanying statement of activities.

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

Fair Value Measurements

The Fair Value Measurements topic of the FASB Accounting Standards Codification (FASB ASC 820-10) defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair-value measurements. FASB ASC 820-10 is effective for financial statements issued for fiscal years beginning after November 15, 2007 for all financial assets and liabilities and any other assets and liabilities that are recognized or disclosed at fair value on a recurring basis.

In addition to defining fair value, FASB ASC 820-10 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level one – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets. All of the Association’s investments were level 1 inputs at December 31, 2016 and 2015.

Level two – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Association did not have level 2 inputs at December 31, 2016 and 2015.

Level three – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option-pricing models, discounted cash flow models, and similar techniques. The Association did not have level 3 inputs at December 31, 2016 and 2015.

Loss Reserves

Loss reserves represent management’s estimate of the ultimate settlement of reported and unreported policyholder claims and carrier subsidies. Management believes that such reserves are adequate to cover the ultimate net cost of claims and subsidy expense incurred; however, reserves are necessarily based on estimates and actual results may differ from those estimates. Adjustments to reserves are charged or credited to expense in the period in which they are made.

Advertising

The Association refers to advertising expense as public information. Public information costs are expensed as incurred. Substantially all of the public information costs were incurred for website costs and focus groups. Public information expense was \$1,199 and \$2,275 for the years ended December 31, 2016 and 2015, respectively.

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

Income Taxes

The Association is a not-for-profit corporation and has been recognized as exempt from federal income tax pursuant to Section 501(c)(26) of the Internal Revenue Code of 1986, as amended (the "Code"), which exemption continued through September 30, 2016. The Association will file when due a final Form 990 for the year ended September 30, 2016. As of October 1, 2016, the Association will assert exemption from federal income tax under Section 115 of the Code.

Management evaluates its tax positions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertain Tax Positions*. The Association's policy is to recognize interest and penalties related to unrecognized tax benefits as tax expense.

Net Assets

The Organization is required to report information regarding its financial position and activities according to classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Descriptions of the net asset categories included in the Organization's financial statements are as follows:

Unrestricted net assets include revenues and expenses and contributions which are not subject to any donor or statutory imposed restrictions.

Temporarily restricted net assets include contributions for which time restrictions, statutory restrictions or donor-imposed restrictions have not yet been met. The Organization did not have any temporarily restricted net assets at December 31, 2015. As disclosed below, all of the Organizations net assets were temporarily restricted at December 31, 2016.

Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof (excluding capital gains restricted by State statute) be made available for program operations in accordance with donor restrictions. The Organization had no permanently restricted net assets at December 31, 2016 and 2015.

The net asset balance represents an excess of assessments and premiums collected over subsidies, expenses and other deductions. Under the 2016 Statutory Amendments and the Amended Plan, all of the Association's funds – including but not limited to the net asset balance at the conclusion of the state high risk pool and subsidy mechanisms – are restricted for established purposes and any excess funds are required to be distributed back to the members on a pro rata basis based on the last carrier assessment. Therefore, commencing October 1, 2016, all assets of the Association will be presented as temporarily restricted.

C | RELATED PARTY TRANSACTIONS

As discussed in Note A, assessments are levied on all members based on projected cash flow. The assessments are determined by the board of directors which is comprised of representatives for the members as required by New Hampshire statute. There were no assessments levied or collected after the year ending December 31, 2013.

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

D | CONCENTRATIONS OF CREDIT RISK

The Association maintains cash balances that, at times, may exceed federally insured limits. The Association also maintains a cash balance in a money market account which is insured by the Federal Deposit Insurance Corporation up to \$250,000 as of December 31, 2016 and 2015. As of December 31, 2016 and 2015 the Association's uninsured cash balance totaled \$690,579 and \$704,115, respectively. Some of the Association's cash balances are collateralized by underlying investments and the Association's management believes it is not exposed to significant risk.

E | MARKETABLE SECURITIES

The Organizations short-term investments were held in certificate of deposits (CDs) for the year ended December 31, 2015. The Organization had investments during the year ending December 31, 2016, however, during 2016 the investments were liquidated and there was no balance at December 31, 2016. The total CDs held at December 31, 2015 were \$1,632,942.

Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess (deficit) of grants and other support over expenses unless income or loss is restricted. The Association's investment income is as follows:

	<u>2016</u>	<u>2015</u>
Income		
Interest Income	\$ 6,129	\$ 8,078
Realized Losses	<u>(6)</u>	<u>-</u>
Total Investment Income	<u>\$ 6,123</u>	<u>\$ 8,078</u>

Unrealized gains and temporary unrealized gains and losses on investments are excluded from the excess of grants and other support over expenses. Changes in the unrealized holding losses on certificates of deposit held to maturity were \$76 for the year ended December 31, 2015. Changes in the unrealized holding gains on certificates of deposit held to maturity were \$18 for the years ended December 31, 2015. There were no unrealized gains or losses for the year ending December 31, 2016.

F | INCOME TAXES

On January 1, 2009, the Association adopted the provisions of FASB ASC 740-10, *Accounting for Uncertain Income Tax Positions*. Differences between the amount recognized in the financial statements prior to the adoption of FASB ASC 740-10 and the amounts reported as a result of adoption would be accounted for as a cumulative effect adjustment recorded to the January 1, 2009 net assets balance. However, as there was no difference between the amount recognized in the financial statements prior to the adoption of ASC 740-10 and the amounts reported as a result of the adoption, no adjustment was required.

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015, management has evaluated its tax positions in accordance with FASB ASC 740-10 and does not believe that a liability for income tax associated with uncertain tax positions should be recognized. Additionally, the Association's policy is to recognize interest and penalties related to unrecognized tax benefits as tax expense. During the years ended December 31, 2016 and 2015, the Association did not recognize any interest or penalties.

As disclosed in Note B, the Association, as a non-profit corporation, filed federal tax returns as an organization exempt from income tax through September 30, 2016. As of October 1, 2016, The association asserts exemption from federal income tax under section 115 of the Internal Revenue Code. In the normal course of business, the Association will be subject to examination by taxing authorities on returns filed from December 31, 2013 through September 30, 2016.

G | CONTINGENT ASSET

The Association was awarded a judgement of restitution totaling \$70,648 for the year ending December 31, 2016. The timing and collection of the restitution payments was generally ordered by the court based on the defendants' ability to pay which management believes is not certain. For the year ended December 31, 2016 the Association collected restitution totaling \$6,934 which were recorded as premiums and claims refunds on the Statement of Activities and Changes in Net Assets. The Association is still owed \$63,714 from the original judgement, however, receipt of these funds is not certain and, as a result, the remaining amount owed was not recorded in these financial statements.

H | SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 17, 2017, the date on which the statements were available to be issued, but has not evaluated subsequent events on or after that date. The Organization did not identify any subsequent events that would require disclosure in the financial statements.

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