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

FINANCIAL STATEMENTS

***FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019***

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
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 Not-for-Profit Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets 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.

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, 2020 and 2019, 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.

Mason + Rich, P.A.

MASON + RICH PROFESSIONAL ASSOCIATION
Certified Public Accountants

June 17, 2021

**NEW HAMPSHIRE INDIVIDUAL HEALTH
PLAN BENEFIT ASSOCIATION**
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
<i>CURRENT ASSETS</i>		
Cash and Cash Equivalents	\$ 5,692,852	\$ 2,524,171
Assessments Receivable	4,397,959	2,590,807
Prepaid Expenses, See Note B	7,408	5,274,156
<i>Total Current Assets</i>	10,098,219	10,389,134
<i>TOTAL ASSETS</i>	\$ 10,098,219	\$ 10,389,134

LIABILITIES AND NET ASSETS

<i>CURRENT LIABILITIES</i>		
Accounts Payable	\$ 9,322	\$ 6,180
Accrued Expenses	74,742	38,930
Deferred Assessments	10,014,155	10,344,024
<i>TOTAL CURRENT LIABILITIES</i>	10,098,219	10,389,134
<i>TOTAL NET ASSETS</i>	-	-
<i>TOTAL LIABILITIES AND NET ASSETS</i>	\$ 10,098,219	\$ 10,389,134

**NEW HAMPSHIRE INDIVIDUAL HEALTH
PLAN BENEFIT ASSOCIATION**
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
ASSESSMENTS		
Assessment Receipts and Receivables	\$ 17,967,674	\$ 106,927
OTHER SUPPORT		
Interest Income	35,715	86,466
Miscellaneous Income	1,259	2,249
Total Other Support	36,974	88,715
TOTAL ASSESSMENTS & OTHER SUPPORT	18,004,648	195,642
EXPENSES AND OTHER DEDUCTIONS		
PROGRAM EXPENSES		
Administrative Services	77,539	75,648
Administrative Services - Reinsurance	299,125	65,765
NH Health Protection Program Fund	17,445,852	5,970,163
Professional Fees	-	15,505
Professional Fees - Reinsurance	54,433	15,120
Public Information	291	298
Telephone - Reinsurance	969	17
Total Program Expenses	17,878,209	6,142,516
MANAGEMENT & GENERAL		
Administrative Services	77,539	75,648
Bank Fees	482	552
Board Meetings	109	820
Insurance	9,000	9,000
Postage and Shipping	590	25
Printing	349	168
Professional Fees	38,049	22,824
Telephone	321	131
Travel	-	122
Total Management & General	126,439	109,290
TOTAL EXPENSES AND OTHER DEDUCTIONS	18,004,648	6,251,806
INCREASE (DECREASE) IN NET ASSETS	-	(6,056,163)
Net Assets, Beginning of Year	-	6,056,163
Net Assets, End of Year	\$ -	\$ -

The Accompanying Notes are an Integral Part of These Financial Statements

**NEW HAMPSHIRE INDIVIDUAL HEALTH
PLAN BENEFIT ASSOCIATION**
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<hr/>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ -	\$ (6,056,163)
(Increase) Decrease in Operating Assets:		
Assessments Receivable	(1,807,152)	949,720
Prepaid Expenses	5,266,748	(3,909,993)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	3,142	6,180
Accrued Expenses	35,812	23,673
Deferred Assessments	(329,869)	10,344,024
Assessment Collections Received in Advance		(854,508)
Total Adjustments	<u>3,168,681</u>	<u>6,559,096</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>3,168,681</u>	<u>502,933</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 3,168,681	 502,933
 <i>Cash and Cash Equivalents, Beginning of Year</i>	 <u>2,524,171</u>	 <u>2,021,237</u>
 <i>Cash and Cash Equivalents, End of Year</i>	 <u>\$ 5,692,852</u>	 <u>\$ 2,524,171</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT
ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

A | NATURE OF OPERATIONS

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’s purpose is to protect the citizens of the state who participate in the individual health insurance market by providing a mechanism to equitably distribute the excess risk sometimes associated with this market. The Association previously made available individual health insurance to New Hampshire residents who are considered medically uninsurable or who otherwise qualify based on federal and state guidelines and currently supports the state’s Medicaid expansion program and has established a reinsurance program as described below.

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.

New Hampshire Marketplace Premium Assistance Program Support

In its 2016 session, the New Hampshire legislature amended various existing statutes, including RSA 404-G (the “2016 Statutory Amendments”). The 2016 Statutory Amendments required 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, a component of the New Hampshire Health Protection Program established under New Hampshire RSA 126-A:5(XXV) to expand Medicaid coverage (the “Health Protection Program”). The Association adopted an Amended and Restated Plan of Operation and Termination (the “Amended Plan”) to reflect this limited purpose and to require that any excess funds remaining from prior activities, after satisfaction of all the Association’s liabilities, be used for the Health Protection Program and for the Association’s reasonable operational costs. The Amended Plan guides and governs the remainder of the Association’s operations and the winding down of the corporation, which Amended Plan has been further amended as disclosed in this Note A under “New Hampshire Granite Advantage Health Care Program Support” and under “New Hampshire Reinsurance Program”. This program was finalized as of June 30, 2020.

New Hampshire Granite Advantage Health Care Program Support

In its 2018 session, the New Hampshire legislature further amended various existing statutes, including RSA 404-G (the “2018 Statutory Amendments”). The 2018 Statutory Amendments require the Association to continue in existence for the purpose of collecting assessments on behalf of the State of New Hampshire in support of the New Hampshire Granite Advantage Health Care Program (the “Granite Advantage Program”) established under New Hampshire RSA 126-AA, which replaces the Marketplace Premium Assistance Program established under New Hampshire RSA 126-A:5(XXV).

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**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT
ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

The 2018 Statutory Amendments require the Association to collect from its members and deposit into the Granite Advantage Health Care Trust Fund an amount not to exceed the lesser of the “remainder amount” defined in New Hampshire RSA 126-AA:1(V) or the amount of revenue transferred from the alcohol abuse prevention and treatment fund pursuant to New Hampshire RSA 176-A:1(IV) and taxes attributable to premiums written for medical and other medical-related services for the newly eligible Medicaid population. To reflect the changes imposed by the 2018 Statutory Amendments, the Association adopted a First Amendment to its Restated Plan (the “First Amendment”), which First Amendment 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 (the “Insurance Commissioner”). Among other matters, the First Amendment authorizes the Association to transfer any monies not needed for the support of the Marketplace Premium Assistance Program and the Association’s related expenses to a reserve fund held by the Association for contingencies which may arise under its support of the Granite Advantage Program.

The 2018 Statutory Amendments state that the Granite Advantage Program will terminate on December 31, 2023 unless extended by future legislation. If no extension is enacted, then the Association will make its final distribution of assessment proceeds to the Granite Advantage Health Care Trust Fund by February 15, 2024. The Commissioner of the New Hampshire Department of Health and Human Services then will determine the final remainder amount under the Granite Advantage Program and report it to the Association by February 15, 2025. If the true-up reveals that the Association’s assessments resulted in an underpayment of the final remainder amount, then the Association will remit the underpayment from its reserves or, if the reserves are not sufficient, from a special assessment of the Association’s members. If the Association has overpaid the final remainder amount, that overpayment will be remitted to the Association within 45 days of the Commissioner’s report.

New Hampshire Reinsurance Program

In its 2019 session, the New Hampshire Legislature further amended Section 12 of the Statute effective July 1, 2019 (the “2019 Statutory Amendments”) to permit the Insurance Commissioner, if supported by the recommendation of actuarial experts, to request that the Association propose a plan of operation for a risk sharing program, reinsurance program or other program that will best support the availability and affordability of the individual insurance market in the state. Pursuant to the 2019 Statutory Amendments and based on the report of his actuarial experts, the Insurance Commissioner issued an Order on February 25, 2020 requiring the Association to assess and develop a proposal for a reinsurance program with the support of federal funding in the form of shared savings under a State Innovation Waiver (n/k/a State Relief and Empowerment Waiver) under Section 1332 of the Affordable Care Act (the “Section 1332 Waiver”).

In response to the Insurance Commissioner’s Order, the Association engaged its management team, in consultation with experts and legal counsel and the Insurance Commissioner, to review the actuarial analysis and determine the components of a proposed State market stabilization program and its anticipated costs and operational procedures and to develop a related Section 1332 Waiver application. To document its proposed program pursuant to Section 12 of the Statute, the Association adopted a Second Amendment to its Restated Plan (the “Second Amendment”) on March 11, 2020. During 2020, all of the conditions to the implementation of the proposed program -- known as the “New Hampshire Reinsurance Program” (the “Reinsurance Program”) -- were met, including

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**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT
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NOTES TO FINANCIAL STATEMENTS

approval by the U.S. Department of Health and Human Services and the U.S. Department of the Treasury (collectively the “*Federal Agencies*”) of the State’s Section 1332 Waiver application and its projected “pass-through savings.” On September 30, 2020 the Insurance Commissioner issued a Supplemental Order directing that the Association, as Administrator of the Reinsurance Program, receive the federal grant monies under the Section 1332 Waiver. The Association adopted a Third Amendment to its Restated Plan (the “Third Amendment”) on October 20, 2020 which allows and directs the Association to become the grantee of record under the Section 1332 Waiver, and to accept and receive directly federal funding under the Section 1332 Waiver.

The Reinsurance Program commences operation on January 1, 2021 and is to be administered by the Association on behalf of the New Hampshire Department of Insurance (the “Insurance Department”). The Reinsurance Program will reimburse issuers who offer comprehensive, major medical plans in New Hampshire’s individual market that are part of the single-risk pool. Payments to carriers are to be calculated based on a percentage (coinsurance percentage) of the annual claims that issuers incur for coverage under such plans between a specified lower threshold (attachment point) and upper threshold (reinsurance cap). The reinsurance parameters are to be determined each year by the Insurance Department by March 31 of the prior year based on recommendations of the Board of Directors of the Association and the Commission of the Status of Health Coverage Markets for Individual and Small Employers. The Restated Plan, as amended, requires that all funding collected for the Reinsurance Program will be paid out (for payments to issuers and for program administration) for the year for which it is collected, but no additional State funds will be provided for the Reinsurance Program. The Association’s obligation to make payments to issuers under the Reinsurance Program is limited to the extent of funding received by the Association in connection with the Reinsurance Program.

During the years ended December 31, 2020 and 2019, the Association’s operating activities under the Reinsurance Program were limited to the planning and development of the Reinsurance Program and its implementation and administration. These expenses totaled \$354,527 and \$80,902, respectively. The Association did not recognize any revenue under the Reinsurance Program for the years ended December 31, 2020 and 2019 because it does not become operational until January 1, 2021.

See Note K for more information.

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. Accordingly, actual results could differ from those estimates.

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**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT
ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

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. There were no cash equivalents at December 31, 2020 and 2019.

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.

Contributions

Prior to the adoption of ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (See Note C for more information): Contributions received were recorded as support increasing either net assets without donor restrictions or net assets with donor restrictions depending on the existence of any donor restrictions. Time and purpose restricted contributions are reported as donor-restricted support and are then reclassified to net assets without donor restrictions upon expiration of the time restriction or fulfillment of the purpose restriction.

After the adoption of ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (See Note C for more information): Substantially all of the Association's support result from assessments from insurance carriers – see the note disclosure “*Member Assessments – State's Marketplace Premium Assistance Program*” under Note B for more information. The assessments include donor-imposed conditions or barriers that must be overcome before the Association is entitled to the assets transferred. The barriers include limited discretion over how the resources are spent and the contributor retains a right of return to the resources provided. The assessments are transferred from the contributor in advance of the Association overcoming either of the barriers. As a result of these conditions, contributions are recognized as liabilities until the conditions have been substantially met or explicitly waived by the donor. The total deferred assessments were \$10,014,155 and \$10,344,024 at December 31, 2020 and 2019, respectively. At the point the conditions have been substantially met, the contributions are recognized immediately and classified as net assets without donor restrictions.

Member Assessments – State's Marketplace Premium Assistance Program

The 2018 Statutory Amendments require that each year the Commissioner of the New Hampshire Department of Health and Human Services, after consultation with the Insurance Commissioner, will report the “remainder amount” for the Granite Advantage Program 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 Insurance Commissioner for the assessment rates that insurance carriers pay.

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**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT
ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

Following the end of each calendar quarter in 2020 and 2019, the Association's members are required to report their Covered Lives for each month and remit assessments due. The total net member assessments receivable was \$4,397,959 and \$2,590,807 at December 31, 2020 and 2019, respectively. Management evaluates the collectability of assessment receivables by considering factors such as historical experience and current economic conditions that may affect the insurance carrier's ability to pay in order to establish an allowance for doubtful accounts. When management determines an assessment receivable is uncollectible, the receivable is charged to the allowance. There was no allowance for uncollectible accounts at December 31, 2020 and 2019. 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 Granite Advantage Health Care Trust Fund. No special assessments have been charged to the insurance carriers.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged to each program based on the direct expenses incurred or estimated usage based on time spent on each program by the subcontracted management company.

Prepaid Expenses

As noted above, prior to the 2018 Statutory Amendments the Association was required to pay fifty percent (50%) of the so-called "remainder amount" due under the Health Protection Program for deposit into the New Hampshire Health Protection Trust Fund. This program was replaced by the Granite Advantage Program effective January 1, 2019. Under the First Amendment (defined above), the Association has authorized and directed the Commissioner of the New Hampshire Department of Health and Human Services (the "DHHS Commissioner") to return to the Association before June 30, 2020 any excess amounts prepaid by the Association for the Health Protection Program, which amounts totaled \$3,178,177 as of December 31, 2019. In 2020, the Health Protection Program funding was returned to the Association; as a result, the Association had no prepaid balance held by the DHHS Commissioner related to the Health Protection Program at December 31, 2020. As of December 31, 2019, the Association's payments to the Granite Advantage Program exceeded the remainder amount by \$2,088,786 at December 31, 2019. In 2020, the remainder amount exceeded the Association's payments to the Granite Advantage Program; as a result, the Association has no prepaid balance related to the Granite Advantage Program at December 31, 2020.

Net Assets

The Association reports its net assets as required by Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU 2016-14 the Association is required to report information regarding its financial position and activities according to the following classes: net assets without donor restrictions and net assets with donor restrictions. Descriptions of the net asset categories included in the Association's financial statements are as follows:

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**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT
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NOTES TO FINANCIAL STATEMENTS

Net assets without donor restrictions include revenues and expenses and contributions which are not subject to any donor imposed restrictions. Unrestricted net assets can be board designated by the Executive Board for special projects and expenditures, however, there were no such designations at December 31, 2020 and 2019.

Net assets with donor restrictions include contributions for which time restrictions or donor-imposed restrictions have not yet been met. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Net assets with donor restrictions also 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.

As disclosed in Note B, under the header “Contributions,” the Association receives substantially all its support from assessments which are recognized as a liability until certain barriers are overcome. As a result, beginning in 2019, the Association’s does not carry a net asset balance after the adoption ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, since the excess of assessments and other support over expenses and other deductions is reported as a liability under deferred assessments. Prior to 2019, all of the Association’s funds were classified as net assets with donor restrictions.

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 \$291 and \$298 for the years ended December 31, 2020 and 2019, respectively.

Income Taxes

As of October 1, 2016, the Association has asserted its exemption from federal income tax under Section 115 of the Internal Revenue Code of 1986, as amended (the “Tax Code”), as an affiliate of a governmental unit. Because the Reinsurance Program has been added to the Association’s operations, the Association is in the process of completing and filing Form 1024-A with the Internal Revenue Service to seek recognition as a social services organization exempt from federal income taxation under Section 501(c)(4) of the Tax Code. The Association is seeking such recognition as of August 1, 2020, the date by which all conditions to the operation of the Reinsurance Program were satisfied.

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.

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**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT
ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

C | ADOPTION OF NEW ACCOUNTING STANDARD

The Association implemented ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in the current year, applying the changes using the modified prospective approach. This update clarifies and improves current guidance about whether a transfer of assets is a contribution or exchange transaction. The Association has adopted the guidance in the ASU as of December 31, 2019. The primary impact of this adoption was accounting for assessments (contributions) as a liability until certain barriers were overcome. See the note disclosure for “Contributions” and “Net Assets” under Note B for more information. The change in accounting policy was applied prospectively and resulted in a deferral of assessment income totaling \$10,344,024 at December 31, 2019. As a result, the increase in deferred assessments reduced the assessment receipts and receivables on the statement of activities to \$106,927 for the year ending December 31, 2019.

D | 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. The total assessments charged to related party insurance carriers were \$17,637,804 and \$10,450,951 for the years ended December 31, 2020 and 2019, respectively. The assessment receipts and receivables on the statement of activities was \$17,967,674 and \$106,927 for the years ending December 31, 2020 and 2019, respectively. The difference between the total assessments charged to related parties and the amount reported on the statement of activities was the result of changes in deferred assessments, see the note disclosure for “Contributions” under Note B and Note C for more information.

E | CONCENTRATIONS OF CREDIT RISK

Cash and Cash Equivalents

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, 2020 and 2019. As of December 31, 2020 and 2019, the Association’s uninsured cash balance totaled \$422,439 and \$849,186, 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.

Assessments Receivable and Assessments

Three (3) of the Association’s members accounted for approximately 51% of the total assessment revenues and assessment receivables for the years ended December 31, 2020 and 2019. The Association’s management believes it is not exposed to significant risk because it can charge special assessments to satisfy all debts and liabilities of the Association, if needed.

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**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT
ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

F | CASH RESERVES

The Association's Board of Directors has adopted a policy whereby the Association will maintain a cash reserve balance for the administrative cost to operate the New Hampshire Marketplace Premium Assistance Program, Granite Advantage Program, and for unanticipated financial issues. The cash reserves required for this purpose at December 31, 2020 and 2019 was \$1,102,185. See Note I for information regarding the Association's liquidity reserve.

G | 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.

For the years ended December 31, 2020 and 2019, 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, 2020 and 2019, the Association did not recognize any interest or penalties.

As disclosed in Note B, the Association has asserted its exemption from federal income tax under Section 115 the Tax Code from the period of October 1, 2016 through July 31, 2020. The Association remains subject to examination by taxing authorities during this period indefinitely. Management has evaluated its risks in asserting exemption from federal income tax under Section 115 of the Tax Code and believes risks are minimal.

The Association will seek recognition from the Internal Revenue Service that it is exempt from federal income tax as a social services organization described under Section 501(c)(4) of the Tax Code. The Association plans to file Federal Form 990 under Section 501(c)(4) of the Tax Code for the period of August 31 through December 31, 2020 and annually thereafter. In the normal course of business, the Association will be subject to examination by taxing authorities for 3 years from the date the tax returns are filed or until 2024.

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**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT
ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

H | CONTINGENT ASSET

The Association was awarded a judgement of restitution totaling \$70,648 for the year ended 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 years ended December 31, 2020 and 2019, the Association collected restitution totaling \$1,259 and \$2,249, respectively. The Association has collected an accumulated \$15,049 and \$13,790 as of December 31, 2020 and 2019, respectively, since the judgement of restitution was awarded to the Association. The Association is still owed \$55,599 and \$56,858 as of December 31, 2020 and 2019, respectively, 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.

I | LIQUIDITY DISCLOSURE

The Association's financial assets available within one year from the statement of financial position date for general operating expenses are as follows:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 5,692,852	\$ 2,524,171
Member Receivables	4,397,959	2,590,807
Prepaid Expenses	7,408	5,274,156
Cash Reserves	<u>(1,161,675)</u>	<u>(1,102,185)</u>
	<u>\$ 8,936,544</u>	<u>\$ 9,286,949</u>

As disclosed in Note A under "New Hampshire Granite Advantage Health Care Program," the Association is required to continue in existence for the purpose of collecting assessments on behalf of the State of New Hampshire in support of the Granite Advantage Program. If the New Hampshire Reinsurance Program described in Note A is not implemented, then the foregoing will be the Association's sole and limited purpose. Furthermore, the Association is only scheduled to operate the Granite Advantage Program through 2025. As a result of the Association's limited function and finite operating period, management has specifically budgeted for its obligations owed to the New Hampshire Health Protection Trust Fund for the "remainder amount" and other operating expenses and believes its liquid financial assets are sufficient to fund these operations.

The Board of Directors may designate a portion of any operating surplus to its cash reserves, as outlined in the Associations First Amendment to its Restated Plan of Operation, which totaled \$1,161,675 and \$1,102,185 at December 31, 2020 and 2019. The Board of Directors believe the cash reserves are sufficient to fund unanticipated liquidity needs that may arise, see Note F for more information. Finally, the Board of Directors may establish one or more special assessment rates to satisfy all debts and liabilities of the Association, including the "remainder amount" due to the New Hampshire Health Protection Trust Fund or the Granite Advantage Program. As of December 31, 2020 and 2019, no special assessments were deemed necessary or have been charged to the insurance carriers.

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

J | COVID-19 CONSIDERATIONS

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the world. While the spread of this virus has caused business disruptions across the United States, the Association has not experienced any significant interruptions to their activities as of the year ended December 31, 2020. While there remains considerable uncertainty around the duration of this pandemic, there are no going concerns with the Association's ability to continue operations for a period of one year from the date of these financial statements.

K | SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 17, 2021, the date on which the statements were available to be issued, but has not evaluated subsequent events on or after that date.

Implementation of the New Hampshire Reinsurance Program

As disclosed in Note A, the implementation of the Reinsurance Program commenced on January 1, 2021.