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

***AUDITED FINANCIAL STATEMENTS***

***FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020***

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
New Hampshire Individual Health Plan Benefit Association  
Concord, New Hampshire

### *Opinion*

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, 2021 and 2020, 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.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Auditor's Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit concluded in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of New Hampshire Individual Health Plan Benefit Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Hampshire Individual Health Plan Benefit Association's ability to continue as a going concern for a reasonable period of time.

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

*Mason + Rich, P.A.*

MASON + RICH PROFESSIONAL ASSOCIATION  
Certified Public Accountants  
Concord, New Hampshire

May 16, 2022

**NEW HAMPSHIRE INDIVIDUAL HEALTH  
PLAN BENEFIT ASSOCIATION**  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020

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**ASSETS**

	2021	2020
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 16,769,590	\$ 5,692,852
Assessments Receivable	9,135,450	4,397,959
Prepaid Expenses, See Note B	<u>726,891</u>	<u>7,408</u>
<b>Total Current Assets</b>	<u>26,631,931</u>	<u>10,098,219</u>
<b>TOTAL ASSETS</b>	<u>\$ 26,631,931</u>	<u>\$ 10,098,219</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 4,528	\$ 9,322
Accrued Expenses	53,048	74,742
Deferred Assessments	<u>26,574,355</u>	<u>10,014,155</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>26,631,931</u>	<u>10,098,219</u>
<b>TOTAL NET ASSETS</b>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 26,631,931</u>	<u>\$ 10,098,219</u>

**NEW HAMPSHIRE INDIVIDUAL HEALTH  
PLAN BENEFIT ASSOCIATION**  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<b>2021</b>	<b>2020</b>
<b>ASSESSMENTS</b>		
Assessment Receipts and Receivables	\$ 20,046,076	\$ 17,967,674
<b>OTHER SUPPORT</b>		
Interest Income	36,151	35,715
Miscellaneous Income	790	1,259
<b>Total Other Support</b>	<u>36,941</u>	<u>36,974</u>
<b>TOTAL ASSESSMENTS &amp; OTHER SUPPORT</b>	<u>20,083,017</u>	<u>18,004,648</u>
<b>EXPENSES AND OTHER DEDUCTIONS</b>		
<b>PROGRAM EXPENSES</b>		
Administrative Services - Granite Advantage	79,478	77,539
Administrative Services - Reinsurance	138,000	299,125
Remittance to NH Health Protection Program	19,502,926	17,445,852
Professional Fees - Reinsurance	62,293	54,433
Information Technology - Reinsurance	8,000	-
Public Information	4,605	291
Telephone - Reinsurance	-	969
<b>Total Program Expenses</b>	<u>19,795,302</u>	<u>17,878,209</u>
<b>MANAGEMENT &amp; GENERAL</b>		
Administrative Services	184,478	77,539
Bank Fees	706	482
Board Meetings	200	109
Insurance	9,000	9,000
Postage and Shipping	495	590
Printing	277	349
Professional Fees	92,122	38,049
Telephone	437	321
<b>Total Management &amp; General</b>	<u>287,715</u>	<u>126,439</u>
<b>TOTAL EXPENSES AND OTHER DEDUCTIONS</b>	<u>20,083,017</u>	<u>18,004,648</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>-</u>	<u>-</u>
<b>Net Assets, Beginning of Year</b>	<u>-</u>	<u>-</u>
<b>Net Assets, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>

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, 2021 AND 2020

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ -	\$ -
(Increase) Decrease in Operating Assets:		
Assessments Receivable	(4,737,491)	(1,807,152)
Prepaid Expenses	(719,483)	5,266,748
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(4,794)	3,142
Accrued Expenses	(21,694)	35,812
Deferred Assessments	16,560,200	(329,869)
Total Adjustments	<u>11,076,738</u>	<u>3,168,681</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>11,076,738</u>	<u>3,168,681</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	11,076,738	3,168,681
<i>Cash and Cash Equivalents, Beginning of Year</i>	<u>5,692,852</u>	<u>2,524,171</u>
<i>Cash and Cash Equivalents, End of Year</i>	<u><u>\$ 16,769,590</u></u>	<u><u>\$ 5,692,852</u></u>

**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT  
ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

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**A | NATURE OF OPERATIONS**

New Hampshire Individual Health Plan Benefit Association (the “Association”) is a statutory 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 reinsurance program as described below.

The Association’s membership consists, by statute, of all insurers licensed to issue health insurance coverage in the state under RSA 415, 420-A or 420-B, including group excess loss insurance.

***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, in which the 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 ended 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  
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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 RSA 404-G, 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, if in furtherance of the Association’s purpose, 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 approval

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**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT  
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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 commenced operation on January 1, 2021 and has been 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 and reserves) 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 year ended December 31, 2020, 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, which totaled to expenses of \$354,527. The Association did not recognize any revenue under the Reinsurance Program for the year ended December 31, 2020 because the Reinsurance Program did not become operational until January 1, 2021.

In 2021, pursuant to the Commissioner’s Order, the Association began collecting quarterly assessments on behalf of the State of New Hampshire for the Reinsurance Program, as approved by the Commissioner. On July 1, 2021, the Center of Medicare and Medicaid Services (CMS) awarded a grant to the Association under the Section 1332 State Innovation Waiver Program for the period January 1, 2021 through December 31, 2021. On September 7, 2021, CMS advised the Commissioner and the Association that it would be receiving additional funding for the program as a result of the American Rescue Plan Act of 2021. The Association was notified that federal grant funds of \$22,723,855, granted on July 1, 2021, and the American Rescue Plan Act funds, granted on September 22, 2021, will not be received until 2022 when participating carriers will be reimbursed for qualifying claims. See Note B for additional information.

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

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Under the Association's Restated Plan, as amended, claims incurred by participating carriers that may qualify for reimbursement under the Reinsurance Program will be evaluated and paid out in the succeeding year. Management estimates that approximately 80% of the assessments received in the year ended December 31, 2021 will be paid out to qualified carriers by June 2022, with the remaining assessments paid out by September 2022. The accounting rules adopted by the Association will treat the State based assessment collections (less administrative expenses) as deferred assessments until specific claims costs are identified or other operating costs are recorded.

**B | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Association is presented to assist in the understanding of these financial statements. The financial statements and notes are the representations of the Association's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles (GAAP) in the United States of America and have been consistently applied in the preparation of these financial statements.

***Basis of Accounting***

The Association uses the accrual basis of accounting in its financial statements. Under this basis, revenue is recognized when earned rather than when payment is received and expenses and purchases of assets are recognized when the obligation is incurred rather than when the cash is disbursed.

***Basis of Presentation***

The accompanying financial statements have been prepared in conformity with 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.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP 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.

***Cash and Cash Equivalents***

For purposes of the statements of cash flow, cash and cash equivalents includes cash on hand, funds on deposit with financial institutions, and investments with original maturities of three months or less. There were no cash equivalents as of December 31, 2021 and 2020.

***Prepaid Expenses***

At December 31, 2021, the Association's payments to the Granite Advantage Program exceeded the remainder amount by \$718,469. The Association had no prepaid balance related to the Granite Advantage Program at December 31, 2020.

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

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***Contributions***

Contributions are recognized under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence of nature of any donor restrictions. Contributions are recognized when the donor makes an unconditional promise to give to the Association. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Substantially all of the Association's support is from assessments collected from insurance carriers as noted in the Member Assessments disclosure. The assessments include donor-imposed conditions or barriers that must be overcome before the Association is entitled to the transfer of assets. The barriers include limited discretion over how the resources are spent and the contributor retains a right of return of 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 \$26,574,355 and \$10,014,155 at December 31, 2021 and 2020, 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 – Granite Advantage 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 1<sup>st</sup> of the year preceding the assessment year, an assessment rate per member per month utilizing carrier's prior experience and seeking to collect 50% of the remainder amount plus the Association's expenses. Each year, the Association obtains the approval of the Insurance Commissioner for the assessment rates that insurance carriers pay, as required by RSA 404-G.

***Member Assessments – Reinsurance Program under State Innovation Waiver under Section 1332 of the Affordable Care Act***

As stated in Note A, the Reinsurance Program is in part funded by the Association's member required assessments. The assessment rate for this program is established in March of the year preceding the program year and is a calculation based on the second lowest cost Silver Plan in the New Hampshire rating area for a 40-year-old nonsmoker multiplied by .006.

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

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***Assessments Receivable***

Assessments receivable are stated at the estimated amount management expects to collect based on the number of reported covered lives from the prior quarter. Following the end of each calendar quarter, the Association's members are required to report their Covered Lives for each month separately for the Granite Advantage Program and the Reinsurance Program and separately remit assessments due for each program. The total member assessments receivable was \$9,135,450 and \$4,397,959 at December 31, 2021 and 2020, respectively. Management evaluates the collectability of member accounts by considering factors such as historical experience, the age of the receivable, and current economic conditions that may affect the member's ability to pay. The Association does not record an allowance for doubtful accounts because management expects to collect all outstanding balances; this is not considered a departure from accounting principles generally accepted in the United States because the effects of the direct write off method approximate those of the allowance method. The Association assesses interest 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 for the years ended December 31, 2021 and 2020.

***Net Assets***

The Association reports its net assets as required by FASB 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:

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, 2021 and 2020.

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 Contributions disclosure, the Association receives substantially all its support from assessments which are recognized as a liability until certain barriers are overcome. As a result, the Association does not carry a net asset balance since the excess of assessments and other support over expenses and other deductions is reported as a liability under deferred assessments.

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

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***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.

***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 \$4,605 and \$291 for the years ended December 31, 2021 and 2020, 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 (IRC) 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 has filed Form 1024-A with the Internal Revenue Service (IRS) to seek recognition as a social services organization exempt from federal income taxation under IRC Section 501(c)(4) of the Tax Code. As of December 31, 2021, the application is still pending approval by the IRS. 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 FASB Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertain Tax Positions*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as de-recognition, interest, penalties, and disclosures required. The Association's policy is to recognize interest and penalties related to unrecognized tax benefits as tax expense.

**C | RELATED PARTY TRANSACTIONS**

As discussed in Note A, assessments are levied on all members based on projected funding needs. 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 \$36,606,276 and \$17,637,804 for the years ended December 31, 2021 and 2020, respectively. The assessment receipts and receivables on the statement of activities was \$20,046,076 and \$17,967,674 for the years ended December 31, 2021 and 2020, 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 for more information.

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

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**D | CONCENTRATIONS OF CREDIT RISK**

***Cash***

The Association maintains cash balances that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) federally insured limit of \$250,000. The Association also maintains a cash balance in three money market accounts which in turn hold multiple the Federal Deposit Insurance Corporation guaranteed investments up to \$250,000. As of December 31, 2021 and 2020, the Association's uninsured cash balance totaled \$715,962 and \$422,439, respectively. The Association's management believes it is not exposed to significant risk.

***Assessments Receivable and Assessments***

Three of the Association's members accounted for approximately 50% and 51% of the total assessment revenues and assessment receivables for the years ended December 31, 2021 and 2020, respectively. 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.

**E | 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, 2021 and 2020 was \$1,380,746 and \$1,161,675, respectively. See Note H for information regarding the Association's liquidity reserve.

**F | INCOME TAXES**

For the years ended December 31, 2021 and 2020, management has evaluated its tax positions in accordance with FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Association's management does not believe they have taken uncertain tax positions, therefore, a liability for income taxes associated with uncertain tax positions has not been recognized. Additionally, the Association did not recognize interest or penalties resulting from tax liabilities associated with recognizing uncertain tax positions for the years ended December 31, 2021 and 2020.

As disclosed in Note B, the Association has asserted its exemption from federal income tax under IRC 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.

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

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On June 24, 2021, the Association filed Form 1024-A with the IRS requesting exemption from federal income tax as a social service organization under IRC Section 501(c)(4) of the Tax Code. As of December 31, 2021, the application is still pending approval with the IRS. On August 6, 2021, the Association filed federal Form 990 under this exemption 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 three years from the date the tax returns are filed or until 2024.

**G | 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, 2021 and 2020, the Association collected restitution totaling \$790 and \$1,259, respectively. The Association has collected an accumulated \$15,839 and \$15,049 as of December 31, 2021 and 2020, respectively, since the judgement of restitution was awarded to the Association. The Association is still owed \$54,809 and \$55,599 as of December 31, 2021 and 2020, 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.

**H | LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

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

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 16,769,590	\$ 5,692,852
Assessments Receivables	9,135,450	4,397,959
Prepaid Expenses	<u>726,891</u>	<u>7,408</u>
Financial Assets, Year End	26,631,931	10,098,219
Less those unavailable for general expenditure within one year due to:		
Cash Reserves	<u>(1,380,746)</u>	<u>(1,161,675)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 25,251,185</u>	<u>\$ 8,936,544</u>

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As disclosed in Note A under the New Hampshire Granite Advantage Health Care Program disclosure, 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. Furthermore, the Association is scheduled to operate the Reinsurance Program through 2026. 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 amounts" and for other operating expenses, but not for runout period expenses of the Reinsurance Program. Management believes its liquid financial assets are sufficient to fund these operations.

At times, the Board of Directors may designate a portion of any operating surplus to its cash reserves, as outlined in the Association's First Amendment to its Restated Plan of Operation. At December 31, 2021 and 2020, there were cash reserves of \$1,380,746 and \$1,161,675, respectively. The Board of Directors believe the cash reserves are sufficient to fund unanticipated liquidity needs that may arise. See Note E for more information. The Board of Directors also 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, 2021 and 2020, no special assessments were deemed necessary or have been charged to the insurance carriers.

**I | 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 for the year ended December 31, 2021. 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.

**J | SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 16, 2022, the date which the financial statements were available to be issued, and has not evaluated subsequent events after that date.

In March 2022, the Association received notification from the IRS that it has accepted Form 1024-A to be recognized as a social service organization exempt from federal income tax under IRC Section 501(c)(4) of the Tax. See Note F.