

EAST END HEALTH PLAN, INC.

FINANCIAL STATEMENTS

**For the Years Ended June 30, 2025 and 2024
with Independent Auditor's Report**

EAST END HEALTH PLAN, INC.
For the Years Ended June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
East End Health Plan, Inc.
Patchogue, New York

Opinion

We have audited the accompanying financial statements of the East End Health Plan, Inc. ("the Plan"), which comprise the statements of net assets available for benefits as of June 30, 2025 and 2024 and the related statements of changes in net assets available for benefits 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 net assets available for benefits of East End Health Plan, Inc. as of June 30, 2025 and 2024, and the changes in its net assets available for benefits for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East End Health Plan, Inc. 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

Plan 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 financials statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East End Health Plan, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments; administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of East End Health Plan, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about East End Health Plan, Inc.'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 findings, and certain internal control-related matters that we identified during the audit.

Cullen & Danowski, LLP

Port Jefferson Station, New York
December 10, 2025

EAST END HEALTH PLAN, INC.
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Cash Equivalents	\$ 10,309,471	\$ 11,265,490
Receivables		
Stop loss receivables	48,730	185,313
Formulary rebates	417,773	423,482
Other receivables	<u>106,976</u>	<u>54,492</u>
Total Receivables	<u>573,479</u>	<u>663,287</u>
Prepaid Expenses	<u>510,387</u>	<u>495,549</u>
TOTAL ASSETS	<u>11,393,337</u>	<u>12,424,326</u>
LIABILITIES		
Accrued expenses	1,503,390	1,497,457
Advance premium contributions	1,483,560	1,621,678
Claims incurred but not reported	<u>2,781,740</u>	<u>2,989,965</u>
TOTAL LIABILITIES	<u>5,768,690</u>	<u>6,109,100</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 5,624,647</u>	<u>\$ 6,315,226</u>

EAST END HEALTH PLAN, INC.
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the Years Ended June 30, 2025 and 2024

ADDITIONS TO NET ASSETS ATTRIBUTED TO:	<u>2025</u>	<u>2024</u>
Contributions		
Employers' contributions	\$ 34,593,085	\$ 34,376,113
Employees' contributions	1,914,191	2,113,437
Flex plan contributions	<u>329,282</u>	<u>406,095</u>
Total contributions	36,836,558	36,895,645
 Formulary rebates	 1,340,071	 1,019,756
Stop-loss recovery	819,545	760,566
Interest Income	380,717	503,602
Miscellaneous income	<u>3,074</u>	<u>4,462</u>
 Total additions to net assets	 <u>39,379,965</u>	 <u>39,184,031</u>
 DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Benefits Paid for Participants		
Hospitalization and medical	26,482,202	29,413,316
Prescriptions	5,637,595	5,851,050
Medicare Advantage premiums	6,018,856	5,795,351
Vision care	73,127	92,437
Flex plan related	<u>324,978</u>	<u>387,849</u>
Total benefits paid for participants	38,536,758	41,540,003
 Administrative Expenses		
Administrative fees - hospitalization and medical	719,108	791,285
Administrative fees - prescription	120,705	110,139
Administrative fees - vision care	7,275	8,211
Administrative fees - flex plan	33,837	35,836
Stop-loss insurance	349,836	333,567
Excise tax	6,000	5,000
Professional fees	267,131	254,013
Insurance	29,128	31,741
Office, postage, supplies and miscellaneous	<u>766</u>	<u>559</u>
Total administrative expenses	1,533,786	1,570,351
 Total deductions from net assets	 <u>40,070,544</u>	 <u>43,110,354</u>
 NET DECREASE IN NET ASSETS	 (690,579)	 (3,926,323)
 Net Assets Available for Benefits, Beginning of Year	 <u>6,315,226</u>	 <u>10,241,549</u>
 NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	 <u><u>\$ 5,624,647</u></u>	 <u><u>\$ 6,315,226</u></u>

EAST END HEALTH PLAN, INC.
NOTES TO FINANCIAL STATEMENTS

I. DESCRIPTION OF THE PLAN

A. General

The East End Health Plan, Inc. ("the Plan") is a multiple employer defined benefit healthcare plan administered by its Board of Trustees ("the Board") to provide self-funded health benefits in whole or part, which are no less than those offered by the New York State Empire Plan. The Board consists of eleven members who serve as a representative of each participating employer. The Plan is subject to the provisions of Article 44 of the New York State Insurance Law.

The Trustees of the Plan establish contribution rates based on an annual operating budget. The contribution rates are invoiced monthly to the participating employer in accordance with their participant enrollment. The Plan also permits the assessment of additional contributions from the participating district employers in the form of supplemental assessments in the event of a Plan shortfall in any fiscal year. Premiums charged to participating districts can be subject to adjustment based on retroactive changes in membership eligibility. These adjustments could result in either additional Plan revenues or refunds to participating districts upon verification by the Plan's administration.

The following description of the Plan provides only general information. Participants should refer to the Plan Agreement for a more complete description of the Plan's provisions.

B. Benefits

The Plan provides health benefits (medical, hospital, surgical, prescriptions, and optical) for municipal entities' (including eight school districts, Eastern Suffolk BOCES, and a park district) employees (and their beneficiaries and covered dependents) with a regular schedule of twenty hours or more a week, in a job category, as defined by the Plan or as modified by the municipal entities. The Plan also provides health benefits to certain retired employees who meet minimum eligibility requirements and continuation of certain benefits upon termination of employment through the Consolidated Omnibus Budget Reconciliation Act (COBRA). Benefit provisions are established and may be amended by the Board.

The Trustees of the Plan have appointed Anthem Empire Blue Cross/Blue Shield as the third-party administrator responsible for processing benefit claim payments. The base fees for these services per employee per month is \$57.18, effective as of January 1, 2025. Additional administration fees for other benefits included in the Plan are also charged by Anthem to the Plan at varied rates on a per member basis. The Plan also contracts with other third-party providers for prescription drug, vision claims, and flex plan administration. The administrative fees for the prescription drug claims are \$2.49 per claim incurred; vision claims processing fee is \$0.675 per employee per month and flex plan fees are \$6.00 per employee per month. In addition, administrative fees for processing COBRA and retiree rates are \$5.00 per member plus a 2% COBRA Administrative fee added for the COBRA enrollee's premium, per member. Benefits paid for participants are recorded when incurred and are reported in the statement of changes in net assets available for benefits.

EAST END HEALTH PLAN, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Contributions

The Plan is funded on a "pay-as-you-go" basis. The Plan agreement provides that employers make monthly contributions to the Plan of a specified amount to provide benefits to participants and is determined annually by the Plan's Board. For the Plan's budget and fiscal year July 1, 2024 to June 30, 2025, the monthly rates were \$1,622 for individual coverage and \$3,694 for family coverage, \$745 for individual coverage when Medicare coverage exists, \$1,808 for family coverage when the individual or spouse is covered by Medicare, and \$1,490 for family coverage when the individual and spouse is also covered by Medicare. Employees and/or their dependents whose coverage terminates may continue to participate on a direct pay basis in accordance with the provisions of COBRA. The COBRA rates are \$1,654 for individual coverage and \$3,768 for family coverage.

For the Plan's budget and fiscal year July 1, 2023 to June 30, 2024, the monthly rates were \$1,404 for individual coverage and \$3,198 for family coverage, \$645 for individual coverage when Medicare coverage exists, \$1,565 for family coverage when the individual or spouse is also covered by Medicare, and \$1,290 for family coverage when the individual and spouse is also covered by Medicare. Employees and/or their dependents whose coverage terminates may continue to participate on a direct pay basis in accordance with the provisions of COBRA. The COBRA rates are \$1,432 for individual coverage and \$3,000 for family coverage.

Effective January 1, 2025, the Southampton UFSD decided to terminate its participation in the Plan. Based on the specific terms of the Plan Trust, each district, and the bargaining units, and/or job categories terminating from the Plan may be responsible for outstanding claims, plus potential penalties, and a proportional share of any Plan deficit, if applicable. To assess these liabilities, the Plan was required to undergo an external audit up to the effective termination date.

The Plan participates in a Medicare Advantage with Prescription Drug Plan (MAPD), for retirees and their dependents. The MAPD plan offers both medical and prescription drug benefits at a rate of \$673.61 per member per month effective January 1, 2025 through December 31, 2025. The prior year rate for MAPD was \$513.94 per member per month, which expired December 31, 2024. This plan is administered through Anthem Empire Blue Cross/Blue Shield.

D. Stop-Loss Coverage

Effective July 1, 2024, the Plan renewed the stop-loss coverage policy with a threshold of \$750,000 per claimant. The plan pays a monthly rate of \$34.14 per member per month for this stop-loss coverage policy, and the policy is effective through June 30, 2025. The previous year rate was \$28.20 per member per month.

E. Continuation of Plan

The Plan shall terminate when there shall be fewer than 500 employees enrolled in the Plan or when financial conditions exist, that would render continuation of the Plan imprudent. The Plan may be amended or terminated by a majority vote of the Board provided; however, in the event of termination, the Plan shall make provision for coverage of an employee's preexisting medical conditions until said employee is covered by another health plan.

EAST END HEALTH PLAN, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses recognized when incurred.

B. Cash and Cash Equivalents

The Plan considers cash in banks, certificates of deposit, and investment to be cash equivalents. Such financial instruments have a maturity of 90 days or less when acquired. The Plan maintains its cash balances at a bank in the New York metropolitan area. Cash accounts and certificates of deposits at banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Plan's bank balances in excess of FDIC amounts were collateralized with Irrevocable Standby Letters of Credit issued by the Federal Home Land Bank of Pittsburgh.

C. Formulary Rebates

The Plan utilizes a pharmacy benefit manager (PBM), which periodically makes refunds to the Plan based on the Plan's actual utilization pattern of specific drugs. An estimate of the amounts earned are reflected in both formulary rebates and formulary rebates receivable in the accompanying financial statements.

D. Stop-Loss Recovery

The Plan recognizes stop-loss claim revenues when the claim is approved by the claim's administrator for payment and the amounts are collectible. The receivable balance was \$48,730 and \$185,313 on June 30, 2025, and 2024, respectively. Stop-loss recovery revenue recognized was \$819,545 and \$760,566 for the fiscal years ending June 30, 2025, and 2024, respectively.

E. Benefits Provided for Participants

These amounts represent expenses incurred for all claims incurred during the fiscal year, including the change in estimate of the claims incurred but not reported.

F. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

III. INCOME TAX STATUS

The Trust established under the Plan to hold the Plan's assets is qualified pursuant to section 501(c)(9) of the Internal Revenue Code and, accordingly, the Trust's net investment income is exempt from income taxes. The Plan obtained its latest determination letter on September 18, 2009, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable

EAST END HEALTH PLAN, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

requirements of the Internal Revenue Code and is considered an affiliate of a governmental unit. Therefore, no provision for income taxes has been included in the Plan's financial statements.

GAAP requires plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of June 30, 2025 and 2024, there were no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

IV. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Plan provides health benefits to certain retired employees for municipal entities (currently eight school districts, Eastern Suffolk BOCES, and a park district) who meet minimum eligibility requirements and continuation of certain benefits upon termination of employment through COBRA. Upon a review of the Plan's structure, it has been determined that the Plan does not meet the requirements of a multiple-employer defined OPEB Plan subject to the requirements of GASB. Therefore, there is no liability or associated disclosures for OPEB at the Plan level at June 30, 2025 and 2024. The OPEB liability associated with these retirees is the responsibility of the participating municipal entities and is to be reflected in each participating district's individual financial statements in accordance with GASB.

V. CLAIMS INCURRED BUT NOT REPORTED

An actuary provided the Plan with an aggregate estimate of the claims, which have been incurred but not reported as of June 30, 2025 and 2024. The claims incurred and not reported was \$2,781,740 and \$2,989,965 at June 30, 2025 and 2024, respectively. Assumptions used to determine the liability are based on claims paid during the prior two years, and a change in participation. This amount decreased by \$208,225 in 2025 and increased by \$194,430 in 2024. These respective changes for 2025 and 2024 have been reflected as increases in hospitalization and medical expenses on the Statements of Changes in Net Assets Available for Benefits.

VI. NET ASSETS

On March 8, 2017, the Board established the Catastrophic Claims Reserve. The purpose of this reserve is to pay for high cost claims, which are not covered by the Plan's stop-loss policy; pay premiums associated with the Plan's stop-loss policy; or, to make other payments related to this reserve. On May 22, 2018, the Board designated \$1,500,000 of funding for this reserve and then approved an additional amount of \$3,000,000 on March 23, 2021, for a total of \$4,500,000. For the fiscal year ended June 30, 2024, the Board approved the use of \$1,500,000 of this board-designated reserve, reducing the reserve for Catastrophic Claims to \$3,000,000. This amount is included in the total net assets available for benefits of \$5,624,647 at June 30, 2025.

On June 4, 2019, the Board established the Plan Stabilization Reserve. The purpose of this reserve is to offset costs of projected increases to the Plan that may cause a budget shortfall in a given year. On December 10, 2019, the Board designated \$1,700,000 of funding for this reserve and then approved an additional amount of \$1,763,684 on March 23, 2021, for a total board-designated reserve of \$3,463,684. For the fiscal year ended June 30, 2024, the Board approved the use of \$1,000,000 of this board-designated reserve, reducing the amount of the Plan Stabilization Reserve to \$2,463,684. This amount is included in the total net assets available for benefits of \$5,624,647 at June 30, 2025.

EAST END HEALTH PLAN, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

VII. RELATED PARTY

Eastern Suffolk BOCES (BOCES), a participating employer in the Plan, is the designated fiscal officer of the Plan. The Plan receives certain administrative support from BOCES including office space, accounting support, and other administrative support to assist in the operations of the Plan. There are no charges by BOCES to the Plan for these services. Expenses relating to the provision of these services are charged proportionally to the participating employers in this Plan.

VIII. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require disclosure in the financial statements, except for the following:

A. Rate Changes

Effective July 1, 2025, the monthly rates were changed to \$1,736 for individual coverage and \$3,953 for family coverage, \$797 for individual coverage when Medicare coverage exists, \$1,935 for family coverage when the individual or spouse is covered by Medicare, and \$1,594 for family coverage when the individual and spouse are both covered by Medicare. Employees and/or their dependents whose coverage terminates may continue to participate on a direct pay basis in accordance with the provisions of COBRA. The COBRA rates are \$1,736 for individual coverage and \$3,768 for family coverage.

B. Termination

On October 1, 2025, the Plan was notified that the East Quogue, Westhampton Beach, Quogue, Oysterponds, and Remsenberg-Speonk school districts expect to fully withdraw from the Plan effective January 1, 2026. In accordance with the specific terms of the Plan Trust, the districts may be held responsible for any outstanding claims, potential penalties, and a proportional share of any Plan deficit, if applicable. To assess these liabilities, the Plan is required to undergo an external audit up to the effective termination date. This audit will determine the extent of any outstanding claims, penalties, and the district's share of any deficit. The findings will be based on the six-month audited financial statements as of December 31, 2025, which is expected to be finalized by the end of the fiscal year June 30, 2026.