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

FINANCIAL STATEMENTS

***FOR THE YEAR ENDED
DECEMBER 31, 2014***

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INDEPENDENT AUDITORS REPORT

To the Audit Committee
New Hampshire Individual Health Plan Benefit Association

Report on the Financial Statements

We have audited the accompanying financial statements of New Hampshire Individual Health Plan Benefit Association (a Non-Profit Organization), which comprise the statements of financial position as of December 31, 2014, and the related statement of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Individual Health Plan Benefit Association as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited New Hampshire Individual Health Plan Benefit Association's 2013 financial statements, and our report dated April 28, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015, on our consideration of New Hampshire Individual Health Plan Benefit Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Mason + Rich, P.A.

MASON + RICH PROFESSIONAL ASSOCIATION
Certified Public Accountants

May 11, 2015

NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
 STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2014

ASSETS

	NHHP	NHHP-FED	Consumer Assistance Grant	2014	2013
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 1,713,792	\$ -	\$ -	\$ 1,713,792	\$ 6,707,267
Contract Receivable	-	-	-	-	114,411
Grants Receivable	-	-	476,596	476,596	573,248
Interest Receivable	1,895	-	-	1,895	2,392
Premiums Receivable	-	-	-	-	1,296,502
Prepaid Expenses	34,335	-	-	34,335	83,789
Short-Term Investments	1,245,000	-	-	1,245,000	4,414,045
	<u>2,995,022</u>	<u>-</u>	<u>476,596</u>	<u>3,471,618</u>	<u>13,191,654</u>
TOTAL CURRENT ASSETS					
	<u>\$ 2,995,022</u>	<u>\$ -</u>	<u>\$ 476,596</u>	<u>\$ 3,471,618</u>	<u>\$ 13,191,654</u>
TOTAL ASSETS					

The Accompanying Notes are an Integral Part of These Financial Statements

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
 STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2014

LIABILITIES AND NET ASSETS

	NHHP	NHHP-FED	Consumer Assistance Grant	2014	2013
CURRENT LIABILITIES					
Accounts Payable	\$ 58,672	\$ -	\$ -	\$ 58,672	\$ 165,931
Accrued Expenses	21,761	-	476,596	498,357	556,928
Loss Reserves	97,000	-	-	97,000	4,606,100
Deferred Revenue	-	-	-	-	166,884
Unearned Premiums	-	-	-	-	1,222,278
TOTAL CURRENT LIABILITIES	<u>177,433</u>	<u>-</u>	<u>476,596</u>	<u>654,029</u>	<u>6,718,121</u>
NET ASSETS					
Unrestricted					
High Risk Pool Program	3,415,597	-	-	3,415,597	6,091,701
Subsidy Mechanism Program	(598,008)	-	-	(598,008)	381,832
TOTAL NET ASSETS	<u>2,817,589</u>	<u>-</u>	<u>-</u>	<u>2,817,589</u>	<u>6,473,533</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,995,022</u>	<u>\$ -</u>	<u>\$ 476,596</u>	<u>\$ 3,471,618</u>	<u>\$ 13,191,654</u>

The Accompanying Notes are an Integral Part of These Financial Statements

NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	NHHP-FED	High Risk Pool	Subsidy Mechanism	Consumer Assistance Grant	2014	2013
ASSESSMENTS, GAINS AND OTHER SUPPORT						
Policyholder Premiums	\$ -	\$ 2,275,023	-	-	\$ 2,275,023	\$ 20,811,147
Interest	-	4,916	2,114	-	7,030	15,292
Contract Revenue	349,262	-	-	-	349,262	11,447,049
Grant Revenue	-	373,028	-	5,720,563	6,093,591	2,435,894
Other Income	-	4,520	-	-	4,520	18,569,350
Total Assessments, Gains and Other Support	349,262	2,657,487	2,114	5,720,563	8,729,426	53,278,732
SUBSIDIES, EXPENSES AND OTHER DEDUCTIONS						
PROGRAM DISBURSEMENTS						
Carrier Subsidies	-	-	943,555	-	943,555	386,987
Loss and Loss Adjustment	106,744	4,544,567	-	-	4,651,311	41,773,514
Agent Referral Fees	-	2,800	-	-	2,800	135,200
Public Information	-	360	-	8,725	9,085	15,909
Marketing Outreach	-	-	-	2,174,370	2,174,370	162,823
Marketing Assistance Travel	-	-	-	143,299	143,299	148,973
In-Person Assistance	-	-	-	559,794	559,794	348,092
State Agency Initiative	-	-	-	109,447	109,447	-
Total Program Disbursements	106,744	4,547,727	943,555	2,995,635	8,593,661	42,971,498
OFFICE						
Office Supplies	-	824	-	854	1,678	3,344
Bank Fees	245	7,514	257	94	8,110	15,164
Postage and Shipping	-	1,330	-	-	1,330	889
Printing	309	1,392	-	-	1,701	1,181
Rent Expense	-	-	-	12,000	12,000	5,000
Telephone	-	240	-	4	244	128
Other Deductions	2,935	-	-	-	2,935	109,716
Total Office	3,489	11,300	257	12,952	27,998	135,422

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The Accompanying Notes are an Integral Part of These Financial Statements

NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2014

	NHHP-FED	High Risk Pool	Subsidy Mechanism	Consumer Assistance Grant	2014	2013
ADMINISTRATION						
Administrative Services	\$ 215,340	\$ 640,163	\$ 33,909	\$ 1,289,287	\$ 2,178,699	\$ 2,105,735
Professional Fees	23,689	121,153	4,174	53,178	202,194	292,192
Marketing Outreach - Admin	-	-	-	345,470	345,470	61,836
In-Person Assistance - Admin	-	-	-	1,023,491	1,023,491	78,299
Total Administration	<u>239,029</u>	<u>761,316</u>	<u>38,083</u>	<u>2,711,426</u>	<u>3,749,854</u>	<u>2,538,062</u>
BOARD						
Insurance	-	12,047	-	550	12,597	12,082
Travel	-	1,166	-	-	1,166	4,966
Conferences	-	-	-	-	-	762
Board Meetings	-	35	-	-	35	2,018
Total Board	<u>-</u>	<u>13,248</u>	<u>-</u>	<u>550</u>	<u>13,798</u>	<u>19,828</u>
TOTAL SUBSIDIES, EXPENSES AND OTHER DEDUCTIONS	<u>349,262</u>	<u>5,333,591</u>	<u>981,895</u>	<u>5,720,563</u>	<u>12,385,311</u>	<u>45,664,810</u>
Excess (Deficit) of Assessments, Gains and Other Over Subsidies, Expenses and Other Deductions	-	(2,676,104)	(979,781)	-	(3,655,885)	7,613,922
Net Change in Realized Gains on Investments	-	-	(12)	-	(12)	-
Net Change in Unrealized Gains (Losses) on Investments	-	-	(47)	-	(47)	45
INCREASE (DECREASE) IN NET ASSETS	-	(2,676,104)	(979,840)	-	(3,655,944)	7,613,967
<i>Unrestricted Net Assets, Beginning of Year</i>	-	6,091,701	381,832	-	6,473,533	(1,140,434)
Unrestricted Net Assets, End of Year	<u>\$ -</u>	<u>\$ 3,415,597</u>	<u>\$ (598,008)</u>	<u>\$ -</u>	<u>\$ 2,817,589</u>	<u>\$ 6,473,533</u>

The Accompanying Notes are an Integral Part of These Financial Statements

NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	NHHP	NHHP-FED	Consumer Assistance Grant	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES					
Increase (Decrease) in Net Assets	\$ (3,655,944)	\$ -	\$ -	\$ (3,655,944)	\$ 7,613,967
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:					
Realized and Unrealized (Gain) Loss on Investment (Increase) Decrease in Operating Assets:	59	-	-	59	(45)
Assessments Receivable	-	-	-	-	1,690,654
Contract Receivable	-	114,411	-	114,411	7,225,719
Grants Receivable	45,127	-	51,525	96,652	(527,653)
Interest Receivable	497	-	-	497	(1,693)
Premium Receivable	1,296,502	-	-	1,296,502	354,479
Prepaid Expenses	41,704	7,750	-	49,454	38,734
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	(44,249)	(7,403)	(63,010)	(114,662)	(408,305)
Accrued Expenses	357	(78,100)	(51,525)	(129,268)	522,905
Loss Reserves	(4,431,000)	(166,884)	-	(4,597,884)	(8,638,900)
Unearned Premiums	(1,222,278)	-	-	(1,222,278)	(654,782)
Deferred Revenue	-	-	-	-	166,884
Total Adjustments	(4,313,281)	(130,226)	(63,010)	(4,506,517)	(232,003)
Net Cash Provided by (Used in) Operating Activities	(7,969,225)	(130,226)	(63,010)	(8,162,461)	7,381,964
CASH FLOWS FROM INVESTING ACTIVITIES					
Maturity of Investments	6,904,000	-	-	6,904,000	3,523,000
Purchase of Investments	(3,735,014)	-	-	(3,735,014)	(6,406,000)
Net Cash Provided by (Used in) Investing Activities	3,168,986	-	-	3,168,986	(2,883,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,800,239)	(130,226)	(63,010)	(4,993,475)	4,498,964
Cash and Equivalents, Beginning of Year	6,514,031	130,226	63,010	6,707,267	2,208,303
Cash and Equivalents, End of Year	\$ 1,713,792	\$ -	\$ -	\$ 1,713,792	\$ 6,707,267

The Accompanying Notes are an Integral Part of These Financial Statements

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

A | NATURE OF BUSINESS

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

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

State High Risk Pool

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

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

Pursuant to terms of the Association’s policies, individuals covered under the state high risk pool must submit claims for coverage no later than June 30, 2015. As a result, the Association is liable for claims incurred but not reported (IBNR) when health care coverage terminated on June 30, 2014.

Subsidy Mechanism

As required by RSA 404-G:11, the Risk-Sharing Subsidy Mechanism and the Under 19 Subsidy Mechanism ended for any losses experienced after December 31, 2013 (the Subsidy Mechanisms Cessation Date). In accordance with the Association’s plan of operation, eligible carriers which seek a subsidy for losses experienced in calendar year 2013 were required to file a subsidy application not later than July 1, 2014.

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

Assessments

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

As directed by RSA 404-G:5 and RSA 404-G:5-a, the mechanism for administering and collecting assessments against members will continue in accordance with the Plan of Operation until all the obligations of the Association are satisfied in full. From and after Risk Pool the Cessation Date, it was expected that assessments will be the Association's primary source of revenue if current reserves are not sufficient. Although the Association will endeavor to avoid special assessments, the Board may establish one or more special assessment rates as necessary to satisfy all debts and liabilities of the Association. During the year ended December 31, 2014 there were no assessments charged to the insurance carriers. Furthermore, management has evaluated the Association's cash reserves and anticipates that the reserves will be adequate to satisfy all the debts and liabilities of the Association.

Federal High Risk Program

In 2010, the Association contracted with the U.S. Department of Health and Human Services to administer a federal high risk pool insurance program. This program is funded through the federal government as part of the Affordable Health Care Act. The Association's contractual obligation to provide health insurance coverage under this federal program in New Hampshire ended as of June 30, 2013 and all administrative functions were completed by December 31, 2014. See note H for more information.

Consumer Assistance Grant

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

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

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

Effective December 17, 2014, CMS awarded the Association a third Grant in the amount of \$3,385,882 to further support the establishment of the New Hampshire Marketplace under the Affordable Care Act (the Third Grant). The Third Grant period begins on December 17, 2014 and expires December 16, 2015 unless extensions are requested and approved. As of December 31, 2014 none of the funds from this Third Grant had been obligated or paid.

B | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Basis of Presentation

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

Cash and Cash Equivalents

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

Member Assessments

Assessments levied on all members are reported in the period for which such assessments are levied. Members self-assess each calendar quarter at an amount determined by established rates for the member's covered lives as defined by statute. Interest is charged to members on assessments not paid within 45 days after each calendar quarter.

Premiums

Premium income is recognized on a pro rata basis over the respective terms of the policies. Unearned premiums represent the portion of premiums which relate to future periods.

Investments

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

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

Fair Value Measurements

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

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

Level one – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets. All of the Association’s investments were level 1 inputs at December 31, 2014 and 2013.

Level two – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Association did not have level 2 inputs at December 31, 2014 and 2013.

Level three – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option-pricing models, discounted cash flow models, and similar techniques. The Association did not have level 3 inputs at December 31, 2014 and 2013.

Loss Reserves

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

Advertising

The Association refers to advertising expense as public information. Public information costs are expensed as incurred. Substantially all of the public information costs were incurred for website costs and focus groups. Public information expense was \$9,085 and \$15,909 for the years ended December 31, 2014 and 2013, respectively.

Income Taxes

The Association is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c)(26) of the Internal Revenue Code.

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

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

Net Assets

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

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

Temporarily restricted net assets include contributions for which time restrictions or donor-imposed restrictions have not yet been met. The organization did not have any temporarily restricted net assets at December 31, 2014 and 2013.

Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof (excluding capital gains restricted by State statute) be made available for program operations in accordance with donor restrictions. The Organization had no permanently restricted net assets at December 31, 2014 and 2013.

The net asset balance represents an excess of assessments and premiums collected over subsidies, expenses and other deductions. The excess assessments which are unrestricted are used to accomplish the Association's mission. As a result, the presentation of net assets is unrestricted. However, upon dissolution of the Association, the excess funds are required to be distributed back to the members on a pro rata basis based on the last carrier assessment.

C | RELATED PARTY TRANSACTIONS

As discussed in Note A, assessments are levied on all members based on projected cash flow. The assessments are determined by the board of directors which is comprised of representatives for the members as required by New Hampshire statute.

D | CONCENTRATIONS OF CREDIT RISK

The Association maintains cash balances that, at times, may exceed federally insured limits. The Association also maintains a cash balance in a money market account which is insured by the Federal Deposit Insurance Corporation up to \$250,000 as of December 31, 2014 and 2013. As of December 31, 2014 and 2013 the Association's uninsured cash balance totaled \$1,381,552 and \$7,017,349, 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.

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

E | MARKETABLE SECURITIES

The Organizations short-term investments were held in certificate of deposits (CDs) for the years ended December 31, 2014 and 2013. The total CDs held at December 31, 2014 and 2013 were \$1,245,000 and \$4,414,045, respectively.

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

	<u>2014</u>	<u>2013</u>
Income		
Interest Income	\$ 7,030	\$ 15,292
Realized Losses	<u>(12)</u>	<u>-</u>
Total Investment Income	<u>\$ 7,018</u>	<u>\$ 15,292</u>

Unrealized gains and temporary unrealized gains and losses on investments are excluded from the excess of assessments, gains and other support over subsidies, expenses and other deductions. Changes in the unrealized holding losses on certificates of deposit held to maturity were \$47 for the year ended December 31, 2014. Changes in the unrealized holding gains on certificates of deposit held to maturity were \$45 for the year ended December 31, 2013.

F | LINE OF CREDIT

The Association had a revolving line of credit agreement with a bank, which provided that it may borrow up to \$2,000,000 at December 31, 2013. The interest rate equaled the Wall Street Journal prime rate adjusted daily. The line of credit was secured by assessments receivable. The Association did not have borrowings against the line at December 31, 2013. The bank's interest rate was 3.25% at December 31, 2013. The line of credit expired November 30, 2014 and was not renewed. There was no balance on the line of credit at the date of expiration.

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.

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

For the years ended December 31, 2014 and 2013, 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, 2014 and 2013, the Association did not recognize any interest or penalties.

As a non-profit corporation, the Association files federal tax returns as an organization exempt from income tax. In the normal course of business the Association is subject to examination by taxing authorities. With few exceptions, the Association is no longer subject to federal or state examinations for years before 2012.

H | FEDERAL HIGH RISK POOL (NHHP-FED)

As described in Note A, the federal high risk pool program (the NHHP-FED Program) was administered by the Association. The NHHP-FED Program was funded by the U.S. Department of Health and Human Services (DHHS) and through premiums collected from insured participants. The initial funding allocated to the State of New Hampshire, from DHHS, was \$20,000,000 and was allocated to the Association to administer the NHHP-FED Program over a period from 2010 to 2014. Various amendments were made to increase and decrease DHHS's funding of the NHHP-FED Program for 2011, 2012, and 2013. At December 31, 2013 total obligated funds for the Association's administration of the NHHP-FED Program was \$62,994,690. Effective in March 2014 DHHS de-obligated funding of \$2,010,644, thus reducing the funds available for the NHHP-FED Program at December 31, 2014 to \$60,984,046. At December 31, 2014, the total funds drawn from the obligated amount was \$59,154,965. As a result, there were \$1,829,081 funds remaining unexpended for the NHHP-FED Program at December 31, 2014.

Following a proposal by DHHS to alter the funding of the NHHP-FED Program and the risk undertaken by the association, the Association and DHHS agreed that the cessation of the Association's operation of the NHHP-FED Program, and its assumption by the federal government, would become effective July 1, 2013 (the NHHP-FED Cessation Date). The Association is responsible, through funding from DHHS, for claims under the NHHP-FED Program incurred but not reported (IBNR) as of June 30, 2013. As a result, the Association carried a liability on its books for claims IBNR at December 31, 2013. As of December 31, 2014 there was no IBNR.

The Association continued to accept and pay claims from individuals covered under the NHHP-FED program on or prior to the NHHP-FED Cessation Date. The run-out period ended on June 30, 2014 and the final administration of the contract ended December 31, 2014. All of the activities of the NHHP-FED Program were funded under the federal contract.

(Continued on next page)

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

I | SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2015, the date which the financial statements were available to be issued, and has not evaluated subsequent events on/after that date. The Association did not identify any subsequent events that would require disclosure in the financial statements.