Financial Statements

Idaho School Benefit Trust
(a nonprofit organization)
Years Ended August 31, 2024 and 2023

Table of Contents

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Idaho School Benefit Trust
Boise, Idaho

Opinion

We have audited the financial statements of Idaho School Benefit Trust, which comprise the statements of financial position as of August 31, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Idaho School Benefit Trust as of August 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Idaho School Benefit Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 there are conditions or events, considered in the aggregate, that raise substantial doubt about Idaho School Benefit Trust's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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 GAAS 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 GAAS, 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 the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Idaho School Benefit Trust'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 Idaho School Benefit Trust'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.

Harris CPAs P.C.

Meridian, Idaho
January 30, 2025

IDAHO SCHOOL BENEFIT TRUST
STATEMENTS OF FINANCIAL POSITION
August 31, 2024 and 2023

	2024	2023
ASSETS		
Assets		
Cash and cash equivalents	$ 11,828,978	$ 14,905,301
Investments at fair value	14,089,284	15,531,050
Accrued interest receivable	101,718	84,384
Contributions receivable	4,463,678	6,447,462
Prepaid expense	125,971	135,007
Total Curent Assets	30,609,629	37,103,204
Total Assets	$ 30,609,629	$ 37,103,204
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 114,231	$ 1,501
Estimated claims incurred but not reported	19,220,222	15,264,311
Deferred revenue	120,521	6,696,444
Total Liabilities	19,454,974	21,962,256
Net Assets		
Without donor restrictions	11,154,655	15,140,948
Total Net Assets	11,154,655	15,140,948
Total Liabilities and Net Assets	$ 30,609,629	$ 37,103,204

See notes to financial statements.

IDAHO SCHOOL BENEFIT TRUST
STATEMENTS OF ACTIVITIES
For the Years Ended August 31, 2024 and 2023

	Without Donor Restrictions 2024	Without Donor Restrictions 2023
Revenues		
Contributions	$ 169,767,591	$ 166,677,448
Interest income, net	1,235,034	876,274
Total Revenue	171,002,625	167,553,722
Claims Incurred		
Claims incurred	161,366,167	162,610,507
Less rebates	(8,202,644)	(9,871,433)
Total Claims Incurred	153,163,523	152,739,074
Expenses		
TPA claims administration	13,361,150	13,528,738
Change in incurred but not reported	3,955,911	(1,089,481)
Stop-loss coverage	3,172,555	3,464,816
Administrative expenses	1,335,779	1,334,816
Total Expenses	21,825,395	17,238,889
Change in Net Assets	(3,986,293)	(2,424,241)
Net Assets, Beginning of Year	15,140,948	17,565,189
Net Assets, End of Year	$ 11,154,655	$ 15,140,948

See notes to financial statements.

IDAHO SCHOOL BENEFIT TRUST
STATEMENTS OF CASH FLOWS
For The Years Ended August 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Change in net assets	$ (3,986,293)	$ (2,424,241)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Claims incurred but not reported	3,955,911	(3,831,419)
Changes in operating assets and liabilities:		
Contributions receivable	1,983,784	(960,202)
Prepaid expenses	9,036	5,433
Accounts payable	112,730	(56,834)
Deferred revenue	(6,575,923)	155,113
Net Cash Provided (Used) by Operating Activities	(4,500,755)	(7,112,150)
Cash Flows From Investing Activities		
Purchase of investments	(3,105,791)	(8,365,793)
Redemption of investments	4,530,223	7,928,294
Net Cash Provided (Used) by Investing Activities	1,424,432	(437,499)
Net Change in Cash and Cash Equivalents	(3,076,323)	(7,549,649)
Cash and Cash Equivalents – Beginning of Year	14,905,301	22,454,950
Cash and Cash Equivalents – End of Year	$ 11,828,978	$ 14,905,301

See notes to financial statements.

Note A – Significant Accounting Policies

Nature of Organization

Idaho School Benefit Trust's (the "Trust") purpose is to provide certain self-funded health and welfare benefits on behalf of and for the benefit of the participants and their dependents of school districts, charter schools, and education-related organizations.

Basis of Accounting

The accompany financial statements of Idaho School Benefit Trust have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The Trust uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimated.

Cash and Cash Equivalents

The Trust considers its short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the Trust to significant concentrations of credit risk consist of cash and investments held at a number of financial institutions. Accounts at certain financial institutions are insured by the Federal Deposit Insurance Corporation for up to $250,000 and by the Securities Protection Insurance Corporation for up to $500,000. The Trust has obtained letter of credits to supplement this insurance. US Bank has issued to the Trust an irrevocable letter of credit to the Trust which authorizes the Trust to draw on US Bank up to $40,000,000 against the bank accounts held at Sunwest Bank until cancelled. The Federal Home Loan Bank of Des Moines issued an irrevocable letter of credit to the Trust which authorizes the Trust to draw on the Federal Home Loan Bank of Des Moines up to $15,975,182 against the bank certificates held by the Trust at Capital Educators Federal Credit Union through January 3, 2025. At August 31, 2024 and 2023, the Trust has no uninsured balances.

Note A – Significant Accounting Policies (Continued)

Investments

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income (loss), which is presented net of investment expenses paid to external investment advisors.

Contributions Receivable

Contributions for health, dental and vision insurance are recorded when collected by the third-party administrator. Amounts billed to members are due from the third-party administrator that have yet to be transferred to the Trust are recorded as contributions receivable in the accompanying statement of financial position. No provision for doubtful accounts has been made at August 31, 2024 and 2023, as management considers all amounts fully collectible.

Fair Value

The Trust defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. Fair value is defined as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy established prioritizes fair value measurements based on the types of inputs used in the valuation technique. Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short term, highly liquid nature.

Payment of Benefits

Claim payments are recorded when paid by the third-party claims processor. Amounts due to claims processors that have yet to be reimbursed by the Trust are recorded as claims payable in the accompanying statement of financial position.

Self-insured Benefits

All benefits are self-insured. The claims for self-insured benefits are processed by the Trust's third-party claims processor under administrative services-only arrangements. The claims processor pays claims directly to or on behalf of participants and is then reimbursed by the Trust. Despite the Trust's utilization of a third-party claims processor, ultimate responsibility for payments to providers and participants is retained by the Trust.

Note A – Significant Accounting Policies (Continued)

Claims Incurred But Not Reported

The Trusts accrues estimated claims incurred but not reported using actuarial models and assumptions based on historical claim experience. The actuarial calculations used to estimate the self-insured benefits are based on numerous assumptions, some of which are subjective. The Trust will adjust its self-insured medical benefits reserve as the Trust's loss experience changes due to medical inflation, changes in the number of participants and an aging employee base.

Deferred Revenue

Deferred revenue consists of amounts received from members prior to the end of the year, but are for coverage periods which occur after year end. Accordingly, these amounts are not included in current revenues, but are deferred for recognition in the applicable coverage period.

Rebates

Rebates from the Trust's pharmacy benefit manager are recorded when earned. Rebates due as of the financial statement date have been reported as a receivable, with the offset being netted against claims paid. Pharmacy and other rebates totaling $8,202,644 and $9,871,433, have been netted with claims paid in the accompanying statement of activities for the years ended August 31, 2024 and 2023, respectively.

Stop Loss

The Trust has entered into a stop-loss insurance arrangement in an effort to limit its exposure for self-insured benefits. Stop loss coverage was $2,000,000 for individual participant claims, as well as aggregate coverage of 103% of projected annual claims for each of the years ended August 31, 2024 and 2023, respectively.

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Trust may recognize tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2024 or 2023.

Note A – Significant Accounting Policies (Continued)

Uncertain Tax Positions (Continued)

The Trust files Form 990 in the U.S. federal jurisdiction. The Trust is generally no longer subject to examination by the Internal Revenue Services for years before 2020.

Income Taxes

The Trust is exempt from income taxes under Section 501(c)(9) of the Internal Revenue Code and comparable state law. Accordingly, no provision for income taxes is made in the financial statements.

Subsequent Events

The Trust has evaluated subsequent events through January 30, 2025, which is the date the financial statements were available to be issued.

Note B – Liquidity and Availability of Resources

The Trust's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	$ 11,828,978
Contributions receivable	4,463,678
Investments	14,089,284
Interest receivable	101,718
Total financial assets available within one year	$ 30,483,658

As part of the Trust's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At August 31, 2024, all net assets without donor restrictions are available for payment of (any major expenditures incurred), except for contributions and interest receivable which are available when the receivable is collected which is expected within the next year and the expenditure is incurred. Trustee designated amounts could be drawn upon to meet immediate cash needs by vote of the Trustees.

Note C – Fair value of Assets and Liabilities

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Trust's investments were held in certificates of deposit with various terms, maturity dates, and annual interest rates. These certificates are not readily convertible into cash within ninety days of purchase and are not considered to be cash equivalents. The certificates of deposit are valued at their stated face value and are considered to be level one assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note C – Fair value of Assets and Liabilities (Continued)

The following tables set forth by level, within the fair value hierarchy, the Trust's investments at fair value measured on a recurring basis.

		Fair Value Measurements Using		
August 31, 2024	**Total**	**Level 1**	**Level 2**	**Level 3**
Certificates of deposit	$ 14,089,284	$ 14,089,284	$ 0	$ 0

		Fair Value Measurements Using		
August 31, 2023	**Total**	**Level 1**	**Level 2**	**Level 3**
Certificates of deposit	$ 15,531,050	$ 15,531,050	$ 0	$ 0

Note D – Investments

The Trust's investments consist of certificates of deposit with the following terms at August 31:

	2024	**2023**
Balance at August 31	$ 14,089,284	$ 15,531,050
Interest rates	2.97% to 5.55%	1.24% to 4.04%
Maturing at various dates through	December 2027	September 2027

Note E – Adequacy of Surplus

The Trust is required to establish and maintain a surplus equal to at least (1) the equivalent of three months of contributions for the current plan year; or (2) one hundred ten percent of the difference between the total dollar aggregate stop-loss attachment point plus costs of operations and the total dollar expected contributions for the current plan year. The adequacy of surplus as of August 31, 2024 and 2023 is as follows:

	2024	**2023**
Net assets, end of year	$ 11,154,655	$ 15,140,948
Minimum required surplus	8,150,573	14,230,267
Excess reserves	$ 3,004,082	$ 910,681

Note F – Administrative Expense

Administrative expenses consisted of the following at August 31, 2024 and 2023:

	2024	2023
Professional and consulting fees	$ 841,253	$ 775,120
Assessments	378,654	445,563
Excise taxes	62,571	62,730
Insurance	30,613	41,108
Trustee fees	12,000	0
Travel	6,920	8,999
Miscellaneous	3,768	1,296
Total administrative expenses	$ 1,335,779	$ 1,334,816

Note G – Trust Termination

Although it has not expressed any intent to do so, the Trust can be terminated upon written request of the Trustees or in accordance with section 41-4018, Idaho Code, or its subsequent equivalent.

Note H – Related Party Transactions

The Trust reimburses the Idaho School District Council for administrative duties performed by the Council for the Trust. The Trust paid the Council $180,000 and $180,000 for the years ended August 31, 2024 and 2023, respectively.

Darren Uranga, a member of the Board of Trustees, also provides accounting services to the Trust as an independent contractor. The Board reviews the services provided by Mr. Uranga and the related billings at the Trust board meetings, and the Board votes to accept and pay for the services, with Mr. Uranga abstaining. The Trust paid Mr. Uranga $1,470 and $2,607 for the years ended August 31, 2024 and 2023, respectively.