

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FLORIDA HEALTH MAINTENANCE ORGANIZATION
CONSUMER ASSISTANCE PLAN
TALLAHASSEE, FLORIDA
DECEMBER 31, 2022 and 2021**

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Independent Auditor's Report

To the Board of Directors
Florida Health Maintenance Organization
Consumer Assistance Plan
Tallahassee, Florida

Opinion

We have audited the accompanying financial statements of Florida Health Maintenance organization Consumer Assistance Plan, (the "Plan") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, 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 Florida Health Maintenance organization Consumer Assistance Plan, as of December 31, 2022 and 2021, 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 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 the Plan 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 there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan'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 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 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 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 ABC Organization'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 the Plans' 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.

Moran & Smith LLP

Moran & Smith LLP
April 10, 2023
Tallahassee, Florida

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
FLORIDA HEALTH MAINTENANCE ORGANIZATION CONSUMER ASSISTANCE PLAN
TALLAHASSEE, FLORIDA

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 195,913	\$ 65,531
Investments	10,086,635	9,957,047
Accrued interest receivable	<u>26,393</u>	<u>7,638</u>
Total current assets	<u>10,308,941</u>	<u>10,030,216</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	<u>157,088</u>	<u>6,708</u>
Total current liabilities	<u>157,088</u>	<u>6,708</u>
Unrestricted net assets	<u>10,151,853</u>	<u>10,023,508</u>
Total liabilities and unrestricted net assets	<u>\$ 10,308,941</u>	<u>\$ 10,030,216</u>

See accompanying notes to financial statements

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021
FLORIDA HEALTH MAINTENANCE ORGANIZATION CONSUMER ASSISTANCE PLAN
TALLAHASSEE, FLORIDA**

	<u>2022</u>	<u>2021</u>
Changes in unrestricted net assets		
Support and revenue		
Assessment revenue	\$ 125,000	\$ 75,000
Long-term care assessment	150,773	152,973
Interest income	<u>98,343</u>	<u>80,009</u>
Total support and revenue	<u>374,116</u>	<u>307,982</u>
Expenses		
Program Expenses		
Contract management	72,000	72,000
Long-term care assessment	150,773	152,973
Legal	13,370	16,403
Accounting and auditing	7,500	7,500
Office supplies	<u>2,128</u>	<u>3,469</u>
Total expenses	<u>245,771</u>	<u>252,345</u>
Increase in unrestricted net assets	<u>128,345</u>	<u>55,638</u>
Unrestricted net assets, beginning of year	10,023,508	9,967,871
Unrestricted net assets, end of year	<u>\$ 10,151,853</u>	<u>\$ 10,023,508</u>

See accompanying notes to financial statements

STATEMENT OF CASH FLOWS
FLORIDA HEALTH MAINTENANCE ORGANIZATION CONSUMER ASSISTANCE PLAN
TALLAHASSEE, FLORIDA
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Increase (decrease) in unrestricted assets	\$ 128,345	\$ 55,638
Adjustments:		
Investment income reinvested	(129,587)	(50,775)
(Increase) decrease in accrued interest receivable	(18,755)	10,766
Increase (decrease) in accounts payable	<u>150,380</u>	<u>697</u>
Total adjustments	<u>2,038</u>	<u>(39,312)</u>
Net cash provided by (used in) operating activities	<u>130,383</u>	<u>16,326</u>
Cash flows from investing activities		
Sale of investments	3,275,000	3,800,000
purchase of investments	<u>(3,275,000)</u>	<u>(3,800,000)</u>
Net cash provided (used in) investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>130,383</u>	<u>16,326</u>
Cash and cash equivalents, beginning of year	65,531	49,205
Cash and cash equivalents, end of year	<u>\$ 195,913</u>	<u>\$ 65,531</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
FLORIDA HEALTH MAINTENANCE ORGANIZATION CONSUMER ASSISTANCE PLAN
DECEMBER 31, 2022 AND 2021

Note 1 - Reporting Entity

Legal Entity

Florida Health Maintenance Organization Consumer Assistance Plan (the “Plan”) is a nonprofit legal entity created by Florida Statute 631.811-631.828. All Florida Health Maintenance Organizations (“HMOs”) possessing a valid certificate of authority issued by the Florida Office of Insurance Regulation pursuant to Part I of Chapter 641, shall be and must remain members of the Plan as a condition of their authority to transact business in the State of Florida as an HMO. The Plan performs its functions under the Plan of Operation established and approved under the provisions of the Florida Statutes and shall exercise its powers through a Board of Directors established by Florida Statutes. The Plan comes under the immediate supervision of the Florida Department of Financial Services (the “Department”). The primary purpose of the Plan is to protect the subscribers of HMOs, subject to certain limitations, against failure of an HMO to perform its contractual obligations due to its insolvency. In order to complete its primary purpose, the Plan is granted certain powers and duties as outlined in the Florida Statutes.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Plan prepares its statements under the guidance of Financial Accounting Standards Board (“FASB”) ACS 958, *Not-for-profit Entities*. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (“GAAP”) as applied to nonprofit organizations using the accrual basis of accounting.

Use of Estimates

The Preparation of the financial statements in accordance with Generally Accepted Accounting Principles (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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents on the accompanying statements of financial position include cash in demand deposits. During the course of business, the Plan periodically maintains cash balances in excess of federally insured limits. Management does not consider this risk to be significant.

Investments

Investments consist of certificates of deposits with various financial institutions and an investment in the Treasurer's special purpose investment account managed by the State of Florida, Division of Treasury. These Investments have readily determinable market values. In accordance with FASB ASC 958, *Not-for-Profit Entities*, investments in all securities are reported at fair market value. Interest income is recorded on the accrual basis.

Receivables

There were no receivables on the books at year end.

Accrued Interest Receivable

The Plan records all the accrued interest for the December earnings at the end of the year.

NOTES TO FINANCIAL STATEMENTS
FLORIDA HEALTH MAINTENANCE ORGANIZATION CONSUMER ASSISTANCE PLAN
DECEMBER 31, 2022 AND 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Fixed Assets

The Plan does not own any fixed assets.

Accountants Payable

Accounts payable consists of normal trade payables for administrative expenses of \$6,315 and long-term care assessment payable of \$150,773.

Revenue Recognition

Revenue is recognized in accordance with FASB issued (“ASU 2014-09”) *Revenue from Contracts with Customers*. Which supersedes nearly all previous revenue recognition guidance under U.S. GAAP. The core principle is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services.

Market Risk

The primary purpose of the Plan is to protect the subscribers of Florida HMOs, subject to certain limitations, against failure of a Florida HMO to perform its contractual obligations due to its insolvency. Therefore, adverse economic changes, or certain changes in the insurance laws of the State of Florida could have a significant impact on the Plan’s future financial position and results of operations.

Concentration of Credit Risk

Financial instruments that potentially subject the Plan to concentrations of credit risk consist principally of cash and cash equivalents, and investments. The Plan’s cash management and investment policies restrict investments by type, credit and issuer, and the Plan performs periodic evaluations of the credit standing of the financial institutions with which it deals. Management believes the Plan had no significant concentrations of credit risk other than those he disclosed in Note 3.

Donated Services

The Plan operates with a Board of Directors who volunteer their services; however, because no objective basis is available to measure the value of these sources, no amounts are reflected in the financial statements for the Board of Directors' services.

Income Taxes

The Plan is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(6). The Plan implemented the accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in financial statements when it is more-likely-than-not the positions will be sustained upon examination by tax authorities. As of December 31, 2022, the Plan has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Subsequent Events

Subsequent Events have been evaluated through the date of the Independent Auditor’s Report. The Plan has determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

NOTES TO FINANCIAL STATEMENTS
FLORIDA HEALTH MAINTENANCE ORGANIZATION CONSUMER ASSISTANCE PLAN
DECEMBER 31, 2022 AND 2021

Note 3 - Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents consist of demand deposits held with a financial institution. Investments consist of a highly liquid money market fund, certificates of deposit and an investment in the Treasurer's special purpose investment account managed by the State of Florida, Division of Treasury.

The Plan's invested assets are governed by an investment policy. Generally, this policy will govern the investment of funds and surplus.

	2022	2021
Cash and Cash Equivalents		
WellsFargo General Account	\$ 195,913	\$ 65,531
Total Cash and Cash Equivalents	195,913	65,531
Investments		
WellsFargo Money Market	228,294	108,796
WellsFargo Brokered CD Account	5,700,058	5,725,000
SPIA	4,158,283	4,123,251
Total Investments	10,086,635	9,957,047
Total Accrued Interest Income	26,393	7,638
Total Cash, Cash Equivalents and Investments	\$ 10,308,941	\$ 10,030,216

Credit Risk Disclosure - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The amounts with Wells Fargo Money Market are in excess of federal deposit insurance limits.

Custodial Risk Credit - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan had no investments with custodial credit risk as of December 31, 2022 and 2021, respectively. All investments were held by the Plan or its agent in the Plan's name.

Concentration of Credit Risk – An increased risk of loss occurs as more investments are acquired from one issuer which results in a concentration of credit risk. The Plan had \$4,158,283 and \$4,123,251 invested at the Treasurer's special purpose investment account managed by the State of Florida, Division of Treasury at December 31, 2022 and 2021, respectively.

Interest Rate Risk – Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The Plan measures this risk by using the weighted average maturity method. This policy takes interest rate reset dates, primarily related to certificates of deposit.

Foreign Currency Risk – The Plan had no investments with foreign currency risk at December 31, 2022 and 2021, respectively. All investments are settled in U.S. dollars.

NOTES TO FINANCIAL STATEMENTS
FLORIDA HEALTH MAINTENANCE ORGANIZATION CONSUMER ASSISTANCE PLAN
DECEMBER 31, 2022 AND 2021

Note 3 - Cash, Cash Equivalents, and Investments (Concluded)

Fair Value Measurement of Financial Instruments

The Fair Value Measurements topic of the FASB ASC 820, *Fair Value Measurements and Disclosures* defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements. The Plan measures the fair value of assets and liabilities as the prices that would be received to sell an asset or paid to transfer a liability in the principal in the most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability, level 3 inputs should be used to measure fair value to the extent that observable level 1 or level 2 inputs are not available.

Generally Accepted Accounting Principles (“GAAP”) requires disclosure of an estimate of fair value of certain financial instruments. The Plan’s significant financial instruments are cash, investments, accounts payable, and other short-term assets and liabilities. For these financial instruments (Level 1) carrying values approximate fair value because of the short-term maturity of these instruments.

Note 4 - Special Assessments

Special assessments revenue is generated from new HMOs becoming members of the Plan, as required by Florida Statutes to conduct business in the state of Florida. During the 2022 year, the Plan collected \$125,000 and during the 2021 year, the plan collected \$75,000.

Note 5 – Long-term Care Assessments

Pursuant to Sections 631.718 and 631.819, Florida Statutes, certain of the Plan’s members are responsible for a portion of the Class B assessments necessary to fulfill the Florida Life and Health Insurance Guaranty Association’s (“FLAHIGA’s”) contractual responsibilities to former members of an insolvent or impaired long-term care insurance company. The total amount of the Class B assessment is determined by FLAHIGA. Pursuant to section 631.718, Florida Statutes, 50 percent of the total assessment is allocated to health insurance companies and HMOs operating in Florida. The assessment is then allocated among eligible health insurance companies and HMOs based upon the companies’ commercial premium volume. Once each member’s assessment is determined, the Plan assesses its members, and, when paid, the Plan forwards the payment to FLAHIGA. Pursuant to Section 631.738, Florida Statutes, assessments relative to long-term care insurer impairments or insolvencies do not apply to nonprofit HMOs that operate only in Florida, and whose statutory capital and surplus is less than \$200 million as of December 31, of the year preceding the year in which the assessment is made.

NOTES TO FINANCIAL STATEMENTS
FLORIDA HEALTH MAINTENANCE ORGANIZATION CONSUMER ASSISTANCE PLAN
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Note 6 - Operating Expenses

The Plan operates under a Plan of Operation with a Plan Manager that is appointed by the Plan's Board of Directors. Under the Plan of Operation, the Plan Manager assumes all responsibilities for the day-to-day operations of the Plan. As such, the Plan has no employees and no fixed assets. All expenses are paid to outside contractors for services performed.

Note 7 - Estimates

The Plan has not accrued any amounts for medical claims payables for expenses incurred as a result of member insolvencies between the dates of the insolvencies and the expiration of the Plan's coverage responsibility period. Although it is reasonably possible that additional HMOs will become insolvent and additional costs will be incurred in future years, future events are not recognized in financial statements until the actual occurrence takes place or can be reasonably estimated; accordingly, no liabilities for future insolvencies are recorded.