TEACHERS HEALTH TRUST

Report of Independent Auditors and Financial Statements

JUNE 30, 2024 and 2023

Teachers Health Trust

JUNE 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Teachers Health Trust
Las Vegas, Nevada

Opinion

We have audited the accompanying financial statements of Teachers Health Trust (a nonprofit organization) (Trust) which comprise the statements of net assets available for plan benefits and of benefit obligations as of June 30, 2024 and 2023, and the related statements of changes in net assets available for plan benefits and of changes in benefit obligations for the years then ended, and the related notes to the financial statements (financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits and accumulated plan benefits of the Trust as of June 30, 2024 and 2023, and the changes in its net assets available for benefits and changes in its changes in benefit obligations 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 Trust 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.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Trust will continue as a going concern. As discussed in Note 13 to the financial statements, the Trust has excess benefit obligations over net assets available for benefits, ongoing litigation, and has stated that the substantial doubt exists about the Trust's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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; 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 Teachers Health Trust'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 the 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 the 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.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of administrative expenses for the years ended June 30, 2024 and 2023 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
December 20, 2024

TEACHERS HEALTH TRUST
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 7,475,006	$ 36,084,041
Investments	51,705,202	20,065,038
Prescription drug rebate receivable	3,073,287	6,294,416
Prepaid expenses	259,298	1,368,811
Property and equipment, net	4,667,089	4,941,560
Total assets	67,179,882	68,753,866
LIABILITIES		
Accounts payable for administrative expenses	1,652,649	1,073,594
Deferred contributions	300,610	344,015
Line of credit	7,000,000	-
Clark County School District advance contributions	-	35,000,000
Total liabilities	8,953,259	36,417,609
NET ASSETS AVAILABLE FOR PLAN BENEFITS	$ 58,226,623	$ 32,336,257

See accompanying notes to financial statements.

TEACHERS HEALTH TRUST
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
ADDITIONS		
Contributions:		
Clark County School District / Charter schools	$ 168,397,073	$ 149,482,568
Employee deduction	41,564,798	40,208,566
Retiree participants	3,858,426	3,860,710
Self-pay, COBRA, staff participants	1,083,820	1,146,648
Total contributions	214,904,117	194,698,492
Investment income:		
Net appreciation in fair value of investments	1,960,040	882,642
Interest and dividends	1,506,185	1,484,607
	3,466,225	2,367,249
Investment manager fees	(124,283)	(61,848)
Net investment income	3,341,942	2,305,401
Other income	24,914	239,905
Total additions	218,270,973	197,243,798
DEDUCTIONS		
Insurance premiums:		
Medical	4,134	118,046
Life	1,185,720	1,170,713
Total insurance premiums	1,189,854	1,288,759
Benefits paid for participants:		
Medical	132,564,932	121,840,616
Prescription drugs	31,862,363	34,188,738
Dental	9,576,049	9,407,420
Vision	1,920,927	1,804,107
Total benefits paid for participants	175,924,271	167,240,881
Administrative expenses	12,830,666	10,663,635
Loss on disposal of property and equipment	69,098	-
Payment and settlement of prior period claims	2,366,718	4,002,939
Total deductions	192,380,607	183,196,214
Net Increase	25,890,366	14,047,584
NET ASSETS AVAILABLE FOR BENEFITS		
BEGINNING OF YEAR	32,336,257	18,288,673
END OF YEAR	$ 58,226,623	$ 32,336,257

See accompanying notes to financial statements.

TEACHERS HEALTH TRUST
STATEMENTS OF BENEFIT OBLIGATIONS
JUNE 30, 2024 AND 2023

	2024	2023
Amounts Currently Payable to or for Participants, Beneficiaries, and Dependents:		
Vision claims	$ 224,702	$ 193,570
Medical and dental claims	1,082,653	3,284,024
Prescription drugs	1,959,437	2,066,213
Total currently payable	3,266,792	5,543,807
Other Current Benefit Coverage Obligations:		
Claims incurred but not reported, at present value of estimated amounts	30,000,000	25,388,103
Postretirement Benefit Obligations:		
Plan participants not yet fully eligible for benefits	27,452,000	33,472,000
Other plan participants fully eligible for benefits	1,132,000	2,249,000
Retirees	7,310,000	6,994,000
Total postretirement benefit obligations	35,894,000	42,715,000
TOTAL BENEFIT OBLIGATIONS, AT END OF YEAR	$ 69,160,792	$ 73,646,910

See accompanying notes to financial statements.

TEACHERS HEALTH TRUST
STATEMENTS OF CHANGES IN BENEFIT OBLIGATIONS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Amounts Currently Payable to or for Participants, Beneficiaries, and Dependents:		
Balance, beginning of year	$ 5,543,807	$ 8,887,052
Claims reported and approved for payment	173,647,256	163,897,635
Claims paid	(175,924,271)	(167,240,880)
Balance, end of year	3,266,792	5,543,807
Other Current Benefit Coverage Obligations:		
Balance, beginning of year	25,388,103	33,569,104
Net change during year	4,611,897	(8,181,001)
Balance, end of year	30,000,000	25,388,103
Postretirement Benefit Obligations:		
Balance, beginning of year	42,715,000	45,526,000
Increase (decrease) during year attributed to:		
Normal cost	1,361,000	1,355,000
Costs/premiums over expected	(108,000)	-
Interest	2,126,000	2,033,000
Benefits paid	(1,370,000)	(1,401,000)
Assumption change	(747,000)	(4,798,000)
Plan amendments	(5,215,000)	-
Other changes	(2,868,000)	-
Balance, end of year	35,894,000	42,715,000
TOTAL BENEFIT OBLIGATIONS, AT END OF YEAR	$ 69,160,792	$ 73,646,910

See accompanying notes to financial statements.

NOTE 1. DESCRIPTION OF THE TRUST

The following description of the Teachers Health Trust (Trust) provides only general information. Trust participants should refer to the Trust Agreement and Plan Document for a more complete description of the Trust provisions.

General

On October 1, 1983, as a result of contract negotiations between the Clark County Education Association (CCEA), operating at that time as the Clark County Classroom Teachers Association (CCCTA), and the Clark County School District (CCSD), the Trust was created under NRS 287.010. The responsibilities of administration and management of health and welfare benefits shifted from the CCSD, as an employer, to the CCEA as bargaining agents of education employees. The Trust was established by the CCEA to provide and administer health benefits for its participants.

The CCEA entered into a Collective Bargaining Agreement (CBA) with the CCSD providing for the creation of a retiree health and welfare plan for the employees covered by the CBA. The Retiree Health Trust (RHT) was established to provide and administer health benefits to the retired employees and their dependents. Effective November 1, 2014 the RHT merged into the Trust, such that the health and welfare benefits of both active and retired participants and their beneficiaries are provided for and administered by the Trust.

These financial statements include the balances, transactions and benefit obligations of the health and welfare plans that are provided to eligible active and retiree participants of the collective bargaining agreements between the CCEA and the CCSD.

The Trust has elected to follow, but is not subject to, the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Eligibility

Active employees - All licensed employees of the CCSD paid on the teachers' salary schedule and eligible for representation by the CCEA, and other groups identified by the Teachers Health Trust Board of Trustees, are eligible for coverage. Participants become eligible for coverage on the first day of the month following their hire date.

Retirees - All employees who retire from active employment with the CCSD on or after January 1, 2009 and have attained the age of 52 with five years of service as a licensed employee are eligible to participate in the retiree portion of the plan. Employees must be eligible for Public Employees' Retirement System (PERS) pension benefits and have been enrolled as an active participant in the Trust for a minimum of five consecutive years immediately prior to retirement from the CCSD. Participants become eligible for coverage on the first day of the month following their retirement date and resulting termination of their active plan coverage. Retirees that had a date of retirement prior to January 1, 2009 are also eligible; however, their benefits are provided through insurance contracts that have been negotiated by the Trust. Once a participant attains the age of 65, unless they are still employed, they will not be covered by the Trust for health and welfare benefits.

Benefits

The Trust provides medical, prescription drug, dental, vision, wellness, and life insurance to eligible participants and their covered dependents. Life insurance is covered by an insurance contract for all participants.

The Trust utilizes a Pharmacy Benefits Manager (PBM) which periodically makes refunds to the Trust based on the Trust's actual utilization pattern of specific drugs.

The Trust also provides continuation of certain benefits upon termination of employment through the Consolidated Omnibus Budget Reconciliation Act (COBRA).

Contributions

Clark County School District - The collective bargaining agreement with the CCSD provides for monthly contributions by the CCSD to the Trust. The contribution rates are determined through collective bargaining between the CCEA and the CCSD. Pursuant to the current collective bargaining agreement, the CCSD contribution for each participating licensed employee is $782.12 per enrolled participant per month. The monthly premium changes are pursuant to binding arbitration between the CCEA and the CCSD.

Active Licensed Employees - In addition to deductibles, copayments and coinsurance, active employee participants may be required to contribute to premium costs for the health care (medical, dental and vision). Employee contributions, if any, vary among the Trust options available and the employee elections for various benefits as well as coverage for their eligible dependents. Under the life insurance plan, the premiums are established by the insurer. The Trust pays the full premium cost of basic life insurance.

Retirees - In addition to deductibles, copayments, and coinsurance, retirees hired prior to September 1, 2014 share in the costs of the Trust through required monthly contributions that are based on the retirees' years of service and unused sick leave at retirement and their date of retirement. The premium subsidies range from 0% to 69% of the monthly premium as noted in the vesting table below. Retirees hired on or after September 1, 2014 must pay the full retiree premiums.

	Unused Sick Days				
Years of Service	Less Than 150	150-199	200-249	250-299	300 Or More
Less than 10	100%	100%	100%	100%	100%
10-19	69%	69%	69%	68%	68%
20-25	54%	53%	53%	52%	52%
26-29	44%	43%	42%	42%	41%
30 and over	30%	30%	29%	28%	27%

Absent the availability of a premium subsidy, the Trust would have received a total of approximately $7,446,801 for the year ended June 30, 2024 and $5,096,000 for the year ended June 30, 2023, from retiree participants. As a result of the subsidy schedule above, the Trust received $3,858,426 and $3,860,710 from retiree participants for the years ended June 30, 2024 and 2023, respectively.

All retirees are responsible for 100% of the monthly premium for their dependents.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Priorities Upon Termination

Except as may be otherwise provided by law, in the event of termination of the Trust, the Trust agreement provides that any monies remaining in the Trust will be used for the continuance of the purpose for which the Trust was established and for the administrative expense of the Trust, until such monies are exhausted.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Revenue is recognized when earned, and administrative expenses are recognized when incurred. Insurance premiums and benefits paid for participants are recorded when paid.

Accounting Pronouncement Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information analyzing the entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Trust adopted the standard effective July 1, 2023, utilizing a cumulative-effect adjustment for all financial assets measured at amortized cost. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations and changes therein, and disclosure of contingent assets and liabilities. Significant estimates used by the Trust include amounts reflected for claims incurred but not reported, the postretirement benefit obligation, and the related changes therein. Actual results could differ from these estimates or such estimates could change during the year.

Cash and Cash Equivalents

The Trust considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

As of June 30, 2024 and 2023, the Trust had $200,000 and $600,000, respectively, on deposit for a contract for run out claims, recorded as a prepaid expense.

Investment Valuation and Income Recognition

The Trust's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Net appreciation (depreciation) includes the Trust's gains and losses on investments bought and sold, as well as held during the year. The Trust has contracted with an investment manager and investment custodian to manage the Trust's investment assets. The Board of Trustees determines the Trust's valuation policies and procedures utilizing information provided by the investment manager and investment custodian.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation is eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided using the straight-line method, based on useful lives of the assets which range from three to forty years.

Trust management reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized as the amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at June 30, 2024 and 2023.

Estimated Claims Incurred but Not Reported

The claim reserve at June 30, 2024 and 2023 was estimated by the Trust's actuary in accordance with accepted actuarial principles based on claims data provided by the Trust's third-party administrator. This includes health claims incurred by participants but not reported at that date (IBNR) and health claims reported but not paid at that date. The Trust's management estimated IBNR based on the claim reserve provided by the Trust's actuary and runoff claims data.

For June 30, 2024, Trust management estimated IBNR based on runoff claims data paid through June 30, 2024.

For June 30, 2023, Trust management estimated IBNR based on runoff claims data paid through June 30, 2023.

Postretirement Benefit Obligation

The amount reported as the postretirement benefit obligation represents the actuarial present value of those estimated future benefits that are attributable by the terms of the Trust to employees' service rendered to the date of the financial statements, reduced by the actuarial present value of contributions expected to be received in the future from current plan participants.

Postretirement benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and their beneficiaries and dependents and (2) active employees and their beneficiaries and dependents after retirement from service with the CCSD. The postretirement benefit obligation represents the amount that is to be funded by contributions from the CCSD, active employees of the CCSD, and from existing Trust assets.

Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributable to the employee's service rendered to the valuation date.

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to the historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

For the June 30, 2024 and 2023 valuations, the annual rate of increase in the per capita costs of covered medical benefits was assumed as 7.00% in 2024 and 5.00% in 2023, decreasing to an ultimate rate of 3.70% per annum by 2074 for the 2024 valuation and 4.90% per annum by 2029 for the 2023 valuation. The weighted average health care cost trend rate assumption has a significant effect on the amounts reported as postretirement benefit obligations. If the assumed rates increased by one percentage point in each year, it would increase the obligation as of June 30, 2024 by approximately 9.78% and as of June 30, 2023 by approximately 10.05%.

The following are the employee participation rates used for the valuations:

	June 30, 2024	June 30, 2023
Hired prior to September 1, 2014:		
5 – 19 years of service at retirement	5%	5%
20 – 29 years of service at retirement	30%	30%
30+ years of service at retirement	50%	50%
Hired on or after September 1, 2014	5%	5%

The following were other significant assumptions used in the June 30, 2024 and 2023 valuations:

	June 30, 2024	June 30, 2023
Discount Rate	5.25% compounded annually	4.9% compounded annually
Mortality	Pub-2010 headcount-weighted mortality table, with MP-2021 mortality projection scale	Pub-2010 Headcount teachers mortality table with MP-2021 mortality projection scale
Actuarial Cost Method	Projected unit credit	Projected unit credit
Retiree Contributions	Same level as current Trust provisions for the next year and increased thereafter based on health care trend rates	Same level as current Trust provisions for the next year and increased thereafter based on health care trend rates

The foregoing assumptions are based on the presumption that the Trust's provisions will continue as a going concern. Were the Trust provisions to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation. The Medicare Prescription Drug, Improvement and Modernization Act of 2003 "the Act" with regards to Medicare Part D.l of the Act, is not applicable as retirees are not covered for health and welfare benefits by the Trust, once the retiree attains the age of 65.

The plan liability has decreased as of June 30, 2024 primarily due to lower-than-expected claims costs.

Administrative Expenses

Administrative expenses incurred in the administration of the Trust include salaries and benefits, claims processing expenses, third party administration fees, accounting and legal fees, and other administration fees. These expenses are recorded as deductions in the accompanying statements of changes in net assets available for plan benefits.

Stop Loss

Premiums for stop loss insurance are included in administrative expenses in the accompanying statements of changes in net assets available for plan benefits. Stop loss refunds totaling $0 and $446,358 for the years ended June 30, 2024 and 2023, respectively, have been netted with benefits paid for participants – medical in the accompanying statements of changes in net assets available for plan benefits.

NOTE 3. INVESTMENTS

The Trust retains an investment advisor to manage the Trust's investments according to the investment policies established by the Trust's Board of Trustees. Investments consisted of the following at June 30:

	2024	2023
Investments, at fair value		
U.S. Treasury securities	$ 18,434,215	$ -
Certificate of deposit	15,000,000	-
Mutual funds and equities	7,423,257	9,903,199
Mutual funds – bond	4,849,095	3,417,779
Money market mutual funds	425,979	414,480
Limited partnership and limited liability company	5,572,656	6,329,580
	$ 51,705,202	$ 20,065,038

NOTE 4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I) and lowest priority to unobservable inputs (Level 3). The levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.

Level 2 – Inputs to the valuation methodology include:
• quoted prices for similar assets or liabilities in active markets;
• quoted prices for identical or similar assets or liabilities in inactive markets;
• inputs other than quoted prices that are observable for the asset or liability;
• inputs derived principally from or corroborated by observable market data, correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used on June 30, 2024 and 2023.

<u>Certificate of deposit</u> - Valued by the initial deposit (principal) along with the interest earned over its term. The interest is calculated based on the stated annual percentage yield (APY).

<u>U.S. Treasury securities</u> – Valued using quoted market prices from active market makers and inter-dealer brokers. The securities held by the trust are deemed to be actively traded.

<u>Mutual funds (including money market mutual funds) and exchange traded notes</u> - Valued at the daily closing price as reported by the fund or note. These funds and notes are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds and exchange traded note held by the Trust are deemed to be actively traded.

<u>Limited partnerships, investment funds - class C shares and limited liability company (LLC)</u> - Valued at NAV per share, as a practical expedient, or its equivalent, such as member unit or an ownership interest in partners' capital.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

The following tables set forth by level, within the fair value hierarchy, the Trust's assets at fair value:

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
U.S. Treasury securities	$ 18,434,215	$ -	$ -	$ 18,434,215
Certificate of deposit	-	15,000,000	-	15,000,000
Mutual funds	12,272,352	-	-	12,272,352
Money market mutual funds	-	425,979	-	425,979
	$ 30,706,567	$ 15,425,979	$ -	46,132,546
Limited partnership – domestic (at NAV)[(A)]				2,420,368
Limited liability company – domestic (at NAV)[(B)]				3,152,288
				$ 51,705,202

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 13,320,978	$ -	$ -	$ 13,320,978
Money market mutual funds	-	414,480	-	414,480
	$ 13,320,978	$ 414,480	$ -	13,735,458
Limited partnership – domestic (at NAV)[(A)]				2,493,643
Limited liability company – domestic (at NAV)[(B)]				2,856,492
Investment fund – Class I shares (at NAV)[(C)]				979,445
				$ 20,065,038

In accordance with FASB ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented as investments at fair value in Note 3 to these financial statements.

The following table sets forth the disclosure for the fair value measurement of investments in certain entities that calculate NAV per share at June 30, 2024 and 2023:

	Fair Value June 30, 2024	Fair Value June 30, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnership: domestic *(A)*	$ 2,420,368	$ 2,493,643	-	N/A	N/A
LLC: domestic *(B)*	$ 3,152,288	$ 2,856,492	-	Annually	None
Investment fund – Class I shares *(C)*	$ -	$ 979,445	-	Quarterly	None

(A) This investment is a limited partnership that primarily invests in private debt. Private Debt refers to investments in privately negotiated debt. Loans are primarily senior secured in the capital structure, or are backed directly by assets or real property. Redemptions of the investment are not permitted. The investment has a planned liquidation period over the next eight years with periodic distributions during the liquidation period. The Trust has no unfunded commitments and fair value of the investment has been estimated using the net asset value of the Trust's ownership interest in partners' capital, which is valued by a third party on a monthly basis.

(B) This investment primarily invests in U.S. agricultural land leased to the farming industry. The Trust has no unfunded commitments and fair value of the investment has been estimated using the net asset value per unit of the Trust's member interest in the investment, which is valued by a third party on a quarterly basis. Redemptions by the Trust are limited to once annually as of September 30th each year, with actual distributions occurring on or before February of the following year.

(C) This investment fund primarily invests in privately held companies, but they may make investments in publicly held companies. Redemptions by this fund is at the option of the fund managers on a quarterly basis.

Transfers Between Levels

The availability of observable market data is monitored to assess the appropriate classifications of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. ln such instances, the transfer is reported at the beginning of the reporting period.

Trust management evaluated the transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the years ended June 30, 2024 and 2023, there were no transfers in or out of levels 1, 2, or 3.

NOTE 5. CONCENTRATION OF CREDIT RISK

At times, the Trust carries cash balances in excess of federally insured limits. Trust management periodically evaluates the financial soundness of the financial institutions that hold the cash and certificates of deposit and believes such uninsured balances do not pose a significant financial risk to the Trust.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows as of June 30:

	2024	2023
Building – 2950 East Rochelle Avenue	$ 5,967,452	$ 5,967,452
Building improvements	790,964	872,748
Land – 2950 East Rochelle Avenue	640,000	640,000
Computer hardware and software	315,558	310,557
Office furniture and equipment	4,993	4,993
Telephone equipment	-	1,135
	7,718,967	7,796,885
Less: accumulated depreciation	(3,051,878)	(2,855,325)
	$ 4,667,089	$ 4,941,560

NOTE 7. RETIREE HEALTH ACCOUNT

In accordance with the merger agreement between the Retiree Health Trust and the Trust in November 2014, assets valued at 115% of the Estimated Retiree Liability (ERL) were initially considered reserved and are required to be placed in accounts segregated from the remainder of the Trust's assets known as the Retiree Health Account (RHA). The ERL is based on the present value of all future payments expected to be made for continuing the premium subsidies for present and future retirees, as determined by an actuary. The ERL is to be recalculated at least annually and at the time of recalculation, should amounts in the RHA exceed 120% of the ERL, the excess shall be transferred to the Trust's general account. If the RHA is less than 110% of the ERL, the deficiency shall be transferred from the Trust's general account to the RHA. As of November 1, 2014, the effective date of the merger, the initial ERL was $33 million, resulting in a total of $38 million deposited into the RHA, considered reserved as of the merger date.

Funds in the RHA are withdrawn and transferred at least annually to the Trust's general account to cover the retiree premium subsidies. A total of $1,545,755 during the year ended June 30, 2024 and $1,600,000 during the year ended June 30, 2023 was transferred from the RHA to the Trust’s general account.

The balance of the RHA was comprised of the following assets in the Trust's statement of net assets available for plan benefits as of June 30:

	2024	2023
Cash and cash equivalents – interest bearing hence included in investments	$ 425,979	$ 414,480
Cash and cash equivalents	-	15,720,827
Investments	51,279,223	19,650,558
	$ 51,705,202	$ 35,785,865

110% of the ERL is calculated as $39,483,4000 and $46,986,500 as of June 30, 2024 and 2023, respectively. As the balance of the RHA resulted in a deficiency as of June 30, 2023, under the terms of the merger agreement, all assets of the Trust are considered as held in the RHA. The balance of the RHA resulted in a surplus as of June 30, 2024.

NOTE 8. TAX STATUS

The Trust is exempt from federal income tax under Section 50 l (c)(9) of the Internal Revenue Code (IRC). The Trust obtained its tax-exempt status letter dated March 21, 1991 from the Internal Revenue Service (IRS). The Trust is required to operate in conformity with the lRC to maintain tax exempt status of the Trust and qualified status of the plans. Management of the Trust believes it continues to qualify and to operate in accordance with applicable provisions of the IRC. Accordingly, the Trust's net investment income is exempt from income taxes.

Accounting principles generally accepted in the United States of America require Trust management to evaluate tax positions taken by the Trust and recognize a tax liability (or asset) if the Trust has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Trust is subject to routine audits by the IRS; however, there are currently no income tax audits for any tax periods in progress.

NOTE 9. RISKS AND UNCERTAINTIES

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for plan benefits.

The actuarial present value of the Trust's postretirement benefit obligation is reported based on certain assumptions pertaining to interest rates, health care inflation rates, and employee demographics, all of which are subject to changes.

Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

Excess benefit obligation over net assets available for benefits totaled $10,934,169 and $41,310,653 as of June 30, 2024 and 2023, respectively.

The Trust has entered into a stop-loss insurance arrangement in an effort to limit its exposure for self-insured benefits. The arrangement provides for a reimbursement of expenses when individual participant claims are in excess of a specific dollar amount.

NOTE 10. OTHER EMPLOYEE BENEFIT PLANS

Effective January 1, 2001, the Trust established a Money Purchase Pension Plan (MPPP) for its eligible employees. The Trust makes a contribution of 18.4% of all eligible employees' compensation. Employer contributions for the year ended June 30, 2024 and 2023 were $370,786 and $309,643, respectively.

Effective January 1, 2019, the Trust amended and restated its flexible 401(k) profit sharing plan. Employees who work at least 1,000 hours per year are eligible to contribute to the 401(k) plan upon reaching age 21. No discretionary contributions were made for the year ended June 30, 2024 or 2023.

NOTE 11. LINE OF CREDIT AND MEMORANDUM OF AGREEMENT

In November 2023, the trust entered into a $15.0 million line of credit agreement to provide additional liquidity to the Trust and to support the repayment of the CCSD advance contributions. The line of credit has a variable interest rate that is subject to change on a monthly basis using the interest rate on the Trust's depository account held with the lender and an index for the base percentage and adding 2 percentage points to determine the overall monthly rate. The line of credit contains an interest rate floor of 4.5%. The interest rate on the line of credit was 6.0% at both inception and at June 30, 2024. The maturity date is November 26, 2024, with interest only payments required to be made monthly and the principal balance due on the maturity date. As of June 30, 2024 the outstanding balance on the line credit was $7,000,000. The line of credit is guaranteed by a $15.0 million certificate of deposit that also matures on November 26, 2024 and will be used to pay the balance of the outstanding line of credit.

In October 2021, the CCSD, the CCEA and the Trust executed a Memorandum of Agreement (MOA) for the funding of an additional $15 million to the Trust of which $5 million was to be used to settle claims. This MOA has an extensive list of terms and conditions, such as but not limited to: allowed pay increases, increases to participant premiums over the next two years, allowed costs and payments to be incurred by the Trust, a $35 million advance on premiums received by the Trust in June 2021, periodic and timely financial reporting requirements, definitions of defaults, and conditions and cures if a default occurs. Three major defaults in a defined period may lead this Trust to transition the health and welfare benefits from the Trust to a universal health plan. The advance was paid in full as of June 30, 2024.

NOTE 12. LITIGATION

The Trust is/was involved in matters being litigated which are detailed as follows:

In a claim filed against the Trust, MedSource Management Group, LLC d/b/a WellHealth Quality Care and the CCEA by four individuals "the plaintiffs" seeking class treatment for various claims related to the administration of claims by the Trust. There are 30,000 members in the asserted class. The complaint takes issue with various claims administration matters, including allegedly denying coverage for certain medical treatments, overcharging class members for co-pays and exceeding out-of-pocket maximums under the policies. The plaintiffs' motion to certify as a class was granted in April 2019. The Trust has certain contractual indemnification obligations to WellHealth as a result of a settlement agreement reached with them. The Trust intends to contest the matter vigorously. A trial is not expected until 2025 at the earliest. The plaintiffs' have not provided any specific amount of damages that they seek as a result it is not feasible to estimate a range or an amount of the potential loss.

Luanne Austin v. Allied Collection Services, Inc. was settled in May 2023 for $33,000, recorded in administrative expenses in the statement of changes in net assets available for benefit plans during the year ended June 30, 2023.

NOTE 13. GOING CONCERN

As of the date of the auditor's report, December 20, 2024, there is substantial doubt about the Trust's ability to continue as a going concern. The Trust experienced losses for two of the past four fiscal years. Additionally, as of June 30, 2024, the Trust's total benefit obligations of $69,160,792 exceeded the Trust's net assets available for plan benefits of $58,226,623. Outstanding pending litigation (Note 12) and the maturity of the $7 million line of credit additionally contribute to the substantial doubt about the Trust's ability to continue as a going concern. Management has created a plan which would allow the Trust to continue to operate more effectively and has proposed this plan to the CCEA and the CCSD. The plan has been approved and changes have been implemented, but there remains substantial doubt the Trust can meet its obligations during the next year.

In accordance with Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-12, Health and Welfare Benefit Plans, the statements of net assets available for benefits do not include current health claims payable, health claims incurred by participants but not repaid at that date (IBNR), or postretirement benefit obligations. These items are presented in the separate statement of benefit obligations. Additionally, the statements of changes in net assets available for plan benefits reflect benefit claims paid by the plan, as opposed to the benefit expenses incurred for the services and goods provided to the participants during the presented periods.

In May of 2021, the CCSD issued $35 million in advance contributions to the Trust. This funding represents access to up to three months of projected employer contributions from the CCSD. The intent of the advance contributions is to ensure there is no lapse in health insurance coverage and no lapse in the provision of benefits to licensed personnel. As of June 30, 2024 advance was paid in full. As of June 30, 2023, the entire balance of advanced contributions was outstanding and recorded as a short-term liability.

The MOA with the CCSD and the CCEA discussed in Note 11 includes requirements to reduce administrative costs, modify the plan benefits for the participants and negotiate settlement reductions to benefit claims incurred prior to July 1, 2021, as a means to stabilize cash flows and return to a going concern status.

NOTE 14. THIRD-PARTY ADMINSTRATORS

Effective July 1, 2021, the Trust entered into a three-year agreement with United Medical Resources (UMR), Inc. to manage the health and welfare benefits of the covered participants for the Trust under an Administrative Services Agreement (Agreement). The Agreement may be terminated by either party provided either party gives a written notice 120 days prior to the termination date. UMR will be paid a monthly per participant fee of approximately $24, plus additional monies for more complex medical procedures. UMR has agreed to provide a variety of management reports for the Trust to oversee the UMR management of the health and welfare benefits being provided to the participants. UMR has agreed to be penalized for not achieving several measurables during the three-year term, such as customer satisfaction topics, claim processing timelines, and claim payments.

The Trust utilizes other third-party administrators under similar contracts for management of participants' prescription drug benefits, vision benefits, and dental benefits. Those managing prescription drug benefits negotiate related rebates with pharmaceutical manufacturers on behalf of the Trust. At times, at the administrators' discretion, they may also allocate rebates back to or lower the co-pays of the participants. These prescription rebates enjoyed by the Trust have at times been utilized to offset the prescription drug payables due to the third-party administrators. As of both June 30, 2024 and 2023, there was $0 applied as an offset to reduce the prescription drug rebate receivable and payable.

NOTE 15. SUBSEQUENT EVENTS

In connection with preparation of the financial statements, the Trust evaluated events after the statement of financial position date through December 20, 2024, which was the date the financial statements were available to be issued. As of June 30, 2024 the Trust renewed their agreement with UMR for a term of July 1, 2024 through June 30, 2025.

SUPPLEMENTAL INFORMATION

TEACHERS HEALTH TRUST
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Third-party Administrator (TPA) Expenses		
TPA monthly service agreement	$ 6,413,114	$ 5,277,234
WellHealth monthly consulting fees	207,949	172,197
EMI monthly service agreement	177,968	202,699
	6,799,031	5,652,130
Benefit Consultants and Provider Fees		
Vision	108,007	92,689
	108,007	92,689
Trust Direct Administrative Expenses		
Staff salaries and benefits	3,175,502	2,266,966
Legal and professional fees	844,544	970,476
Insurance	780,842	766,893
Office and computer supplies	307,985	168,748
Depreciation	295,685	283,395
Audit and actuarial fees	155,000	67,500
Building and utilities	150,871	149,441
ACA transitional reinsurance & PCORI fees	79,285	85,465
Miscellaneous	31,389	4,171
Staff meeting, training and related	30,128	78,478
Benefit and enrollment communications	24,737	12,196
Bank fees, interest, and penalties	23,460	125
Rental	10,090	24,689
Printing and photocopying	4,173	5,068
Trustees conference and meeting	2,788	18,745
Marketing	2,353	7,664
Business personal property tax	2,158	2,133
Publications, subscriptions, and dues	1,634	1,558
Postage and delivery	1,004	5,105
	5,923,628	4,918,816
	$ 12,830,666	$ 10,663,635

See accompanying notes to financial statements.