

**TEACHERS HEALTH TRUST**

**Report of Independent Auditors and  
Financial Statements**

**JUNE 30, 2025 and 2024**

The logo for HRC (Health Resources Corporation) is located in the bottom right corner. It consists of the letters "HRC" in a white, sans-serif font, centered within a dark blue square. The square has a white border and is set against a background of green curved shapes that frame the page.

**HRC**

**Teachers Health Trust**

**JUNE 30, 2025 and 2024**

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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, 2025 and 2024, 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, 2025 and 2024, 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.

### 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, 2025 and 2024 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 15, 2025

**TEACHERS HEALTH TRUST**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS**  
**JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 27,316,895	\$ 7,475,006
Investments	70,511,976	51,705,202
Prescription drug rebate receivable	1,535,161	3,073,287
Interest receivable	207,184	-
Prepaid expenses	275,800	259,298
Property and equipment, net	<u>4,553,202</u>	<u>4,667,089</u>
Total assets	104,400,218	67,179,882
<b>LIABILITIES</b>		
Accounts payable for administrative expenses	1,695,713	1,652,649
Deferred contributions	289,082	300,610
Line of credit	<u>-</u>	<u>7,000,000</u>
Total liabilities	<u>1,984,795</u>	<u>8,953,259</u>
<b>NET ASSETS AVAILABLE FOR PLAN BENEFITS</b>	<u><u>\$ 102,415,423</u></u>	<u><u>\$ 58,226,623</u></u>

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, 2025 AND 2025**

	<u>2025</u>	<u>2024</u>
<b>ADDITIONS</b>		
Contributions:		
Clark County School District / Charter schools	\$ 190,770,679	\$ 168,397,073
Employee deduction	42,227,456	41,564,798
Retiree participants	3,739,647	3,858,426
Self-pay, COBRA, staff participants	940,275	1,083,820
Total contributions	<u>237,678,057</u>	<u>214,904,117</u>
Investment income:		
Net appreciation in fair value of investments	2,014,582	1,960,040
Interest and dividends	3,179,457	1,506,185
	<u>5,194,039</u>	<u>3,466,225</u>
Investment manager fees	<u>(195,496)</u>	<u>(124,283)</u>
Net investment income	4,998,543	3,341,942
Other income	5,305	24,914
<b>Total additions</b>	<u>242,681,905</u>	<u>218,270,973</u>
<b>DEDUCTIONS</b>		
Insurance premiums:		
Medical	-	4,134
Life	1,263,143	1,185,720
Total insurance premiums	<u>1,263,143</u>	<u>1,189,854</u>
Benefits paid for participants:		
Medical	138,846,780	132,564,932
Prescription drugs	34,705,574	31,862,363
Dental	10,227,269	9,576,049
Vision	2,162,135	1,920,927
Total benefits paid for participants	<u>185,941,758</u>	<u>175,924,271</u>
Administrative expenses	11,288,204	12,830,666
Loss on disposal of property and equipment	-	69,098
Payment and settlement of prior period claims	-	2,366,718
<b>Total deductions</b>	<u>198,493,105</u>	<u>192,380,607</u>
<b>Net Increase</b>	<u>44,188,800</u>	<u>25,890,366</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		
BEGINNING OF YEAR	<u>58,226,623</u>	<u>32,336,257</u>
END OF YEAR	<u>\$ 102,415,423</u>	<u>\$ 58,226,623</u>

See accompanying notes to financial statements.

**TEACHERS HEALTH TRUST  
STATEMENTS OF BENEFIT OBLIGATIONS  
JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>Amounts Currently Payable to or for Participants, Beneficiaries, and Dependents:</b>		
Vision claims	\$ 265,283	\$ 224,702
Medical and dental claims	1,809,896	1,082,653
Prescription drugs	<u>2,630,781</u>	<u>1,959,437</u>
Total currently payable	4,705,960	3,266,792
<b>Other Current Benefit Coverage Obligations:</b>		
Claims incurred but not reported, at present value of estimated amounts	31,204,000	30,000,000
<b>Postretirement Benefit Obligations:</b>		
Plan participants not yet fully eligible for benefits	30,029,000	27,452,000
Other plan participants fully eligible for benefits	1,078,000	1,132,000
Retirees	<u>6,252,000</u>	<u>7,310,000</u>
Total postretirement benefit obligations	37,359,000	35,894,000
<b>TOTAL BENEFIT OBLIGATIONS, AT END OF YEAR</b>	<u><u>\$ 73,268,960</u></u>	<u><u>\$ 69,160,792</u></u>

See accompanying notes to financial statements.

**TEACHERS HEALTH TRUST**  
**STATEMENTS OF CHANGES IN BENEFIT OBLIGATIONS**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>Amounts Currently Payable to or for Participants, Beneficiaries, and Dependents:</b>		
Balance, beginning of year	\$ 3,266,792	\$ 5,543,807
Claims reported and approved for payment	188,812,466	173,647,256
Claims paid	<u>(187,373,298)</u>	<u>(175,924,271)</u>
Balance, end of year	4,705,960	3,266,792
<b>Other Current Benefit Coverage Obligations:</b>		
Balance, beginning of year	30,000,000	25,388,103
Net change during year	<u>1,204,000</u>	<u>4,611,897</u>
Balance, end of year	31,204,000	30,000,000
<b>Postretirement Benefit Obligations:</b>		
Balance, beginning of year	35,894,000	42,715,000
Increase (decrease) during year attributed to:		
Normal cost	928,000	1,361,000
Costs/premiums over expected	-	(108,000)
Interest	1,892,000	2,126,000
Benefits paid	(1,527,000)	(1,370,000)
Assumption change	172,000	(747,000)
Plan amendments	-	(5,215,000)
Other changes	-	(2,868,000)
Balance, end of year	<u>37,359,000</u>	<u>35,894,000</u>
<b>TOTAL BENEFIT OBLIGATIONS, AT END OF YEAR</b>	<u><u>\$ 73,268,960</u></u>	<u><u>\$ 69,160,792</u></u>

See accompanying notes to financial statements.

**TEACHERS HEALTH TRUST  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**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.

**TEACHERS HEALTH TRUST  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**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 \$848.31 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.

Years of Service	Unused Sick Days				
	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 \$7,217,558 for the year ended June 30, 2025 and \$7,446,801 for the year ended June 30, 2024, from retiree participants. As a result of the subsidy schedule above, the Trust received \$3,739,647 and \$3,858,426 from retiree participants for the years ended June 30, 2025 and 2024, respectively.

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

**TEACHERS HEALTH TRUST  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**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.

**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, 2025 and 2024, the Trust had \$200,000 and \$200,000, 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.

**TEACHERS HEALTH TRUST  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

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, 2025 and 2024.

**Estimated Claims Incurred but Not Reported**

The claim reserve at June 30, 2025 and 2024 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, 2025, Trust management estimated IBNR based on runoff claims data paid through June 30, 2025.

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

**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, 2025 and 2024 valuations, the annual rate of increase in the per capita costs of covered medical benefits was assumed as 7.00% in 2025 and 7.00% in 2024, decreasing to an ultimate rate of 3.70% per annum by 2074 for the 2025 valuation and 3.70% per annum by 2030 for the 2074 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, 2025 by approximately 10.30% and as of June 30, 2024 by approximately 9.78%.

**TEACHERS HEALTH TRUST  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

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

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
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, 2025 and 2024 valuations:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Discount Rate	5.20% compounded annually	5.25% 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.1 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.

**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 \$518,015 and \$0 for the years ended June 30, 2025 and 2024, respectively, have been netted with benefits paid for participants – medical in the accompanying statements of changes in net assets available for plan benefits. The Trust cancelled its stop loss insurance effective January 1, 2025.

**TEACHERS HEALTH TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**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:

	2025	2024
Investments, at fair value		
U.S. Treasury securities	\$ 24,041,557	\$ 18,434,215
Mutual funds and equities	22,686,107	7,423,257
Certificate of deposit	16,116,551	15,000,000
Mutual funds – bond	6,548,330	4,849,095
Money market mutual funds	193,885	425,979
Limited partnership and limited liability company	925,546	5,572,656
	\$ 70,511,976	\$ 51,705,202

**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 1) 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, 2025 and 2024.

U.S. Treasury securities – 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.

Certificate of deposit - 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).

Mutual funds (including money market mutual funds) and exchange traded notes - 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.

**TEACHERS HEALTH TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

Limited partnerships, investment funds - class C shares and limited liability company (LLC) - Valued at NAV per share, as a practical expedient, or its equivalent, such as member unit or 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, 2025			
	Level 1	Level 2	Level 3	Total
U.S. Treasury securities	\$ 24,041,557	\$ -	\$ -	\$ 24,041,557
Certificate of deposit	-	16,116,551	-	16,116,551
Mutual funds	29,234,437	-	-	29,234,437
Money market mutual funds	-	193,885	-	193,885
	<u>\$ 53,275,994</u>	<u>\$ 16,310,436</u>	<u>\$ -</u>	<u>69,586,430</u>
Limited partnership – domestic (at NAV) <sup>(A)</sup>				<u>925,546</u>
				<u>\$ 70,511,976</u>

	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
	<u>\$ 30,706,567</u>	<u>\$ 15,425,979</u>	<u>\$ -</u>	<u>46,132,546</u>
Limited partnership – domestic (at NAV) <sup>(A)</sup>				2,420,368
Limited liability company – domestic (at NAV) <sup>(B)</sup>				<u>3,152,288</u>
				<u>\$ 51,705,202</u>

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, 2025 and 2024:

	Fair Value June 30, 2025	Fair Value June 30, 2024	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnership: domestic <sup>(A)</sup>	\$ 925,546	\$ 2,420,368	-	N/A	N/A
LLC: domestic <sup>(B)</sup>	\$ -	\$ 3,152,288	-	Annually	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.

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(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.

**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. In 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, 2025 and 2024, 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:

	<u>2025</u>	<u>2024</u>
Building – 2950 East Rochelle Avenue	\$ 6,128,572	\$ 5,967,452
Building improvements	802,966	790,964
Land – 2950 East Rochelle Avenue	640,000	640,000
Computer hardware and software	331,505	315,558
Office furniture and equipment	<u>4,993</u>	<u>4,993</u>
	7,908,036	7,718,967
Less: accumulated depreciation	<u>(3,354,834)</u>	<u>(3,051,878)</u>
	<u>\$ 4,553,202</u>	<u>\$ 4,667,089</u>

**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.

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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 \$0 during the year ended June 30, 2025 and \$1,545,755 during the year ended June 30, 2024 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:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents – interest bearing hence included in investments	\$ 193,885	\$ 425,979
Investments	<u>70,318,091</u>	<u>51,279,223</u>
	<u>\$ 70,511,976</u>	<u>\$ 51,705,202</u>

110% of the ERL is calculated as \$41,094,400 and \$39,483,400 as of June 30, 2025 and 2024, respectively. The balance of the RHA resulted in a surplus as of June 30, 2025 and 2024.

**NOTE 8. TAX STATUS**

The Trust is exempt from federal income tax under Section 501(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 IRC 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.

The Trust's net assets available for plan benefits were in excess of benefit obligations by \$29,146,463 at June 30, 2025. The Trust's benefit obligations were in excess of net assets available for plan benefits by \$10,934,169 at June 30, 2024.

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The Trust had entered into a stop-loss insurance arrangement in an effort to limit its exposure for self-insured benefits. The arrangement provided for a reimbursement of expenses when individual participant claims were in excess of certain dollar amounts. The Trust cancelled its stop loss insurance effective January 1, 2025. Stop loss refunds exceeded premiums paid by \$143,603 for the year ended June 30, 2025. Stop loss premiums paid exceeded refunds by \$694,584 for the year ended June 30, 2024.

**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, 2025 and 2024 were \$408,340 and \$370,786, 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, 2025 or 2024.

**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 June 30, 2025 and 2024. The original maturity date was November 26, 2024, with interest only payments required to be made monthly and the principal balance due on the maturity date. The Trust entered into an amendment to the credit agreement to extend the maturity date to November 25, 2025 during the year ended June 30, 2025. As of June 30, 2025 and 2024 the outstanding balance on the line credit was \$0 and \$7,000,000, respectively. The line of credit is guaranteed by a certificate of deposit can 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 summary judgement is not expected until 2026 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 as of June 30, 2025.

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**NOTE 13. THIRD-PARTY ADMINISTRATORS**

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 amended their agreement with UMR to extend the agreement for an additional three years effective July 1, 2024 with a termination date of June 30, 2027. Under the amended agreement the monthly per participant fee increased to \$26 for the year ended June 30, 2025 and has annual increases until its expiration.

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, 2025 and 2024, there was \$0 applied as an offset to reduce the prescription drug rebate receivable and payable.

**NOTE 14. SUBSEQUENT EVENTS**

In connection with preparation of the financial statements, the Trust evaluated events after the statement of financial position date through December 15, 2025, which was the date the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

**TEACHERS HEALTH TRUST**  
**SCHEDULES OF ADMINISTRATIVE EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
Third-party Administrator (TPA) Expenses		
TPA monthly service agreement	\$ 5,663,524	\$ 6,413,114
WellHealth monthly consulting fees	228,099	207,949
EMI monthly service agreement	166,232	177,968
	<u>6,057,855</u>	<u>6,799,031</u>
Benefit Consultants and Provider Fees		
Vision	120,911	108,007
	<u>120,911</u>	<u>108,007</u>
Trust Direct Administrative Expenses		
Staff salaries and benefits	3,204,361	3,175,502
Insurance	458,727	780,842
Office and computer supplies	360,551	307,985
Depreciation	302,956	295,685
Legal and professional fees	219,398	844,542
Bank fees, interest, and penalties	180,030	23,460
Building and utilities	145,812	150,871
ACA transitional reinsurance & PCORI fees	81,154	79,285
Audit and actuarial fees	68,250	155,000
Staff meeting, training and related	36,674	30,128
Postage and delivery	21,743	1,004
Rental	9,912	10,090
Miscellaneous	6,660	31,389
Marketing	4,032	2,355
Printing and photocopying	3,726	4,173
Benefit and enrollment communications	2,168	24,737
Business personal property tax	1,312	2,158
Publications, subscriptions, and dues	1,004	1,634
Trustees conference and meeting	968	2,788
	<u>5,109,438</u>	<u>5,923,628</u>
	<u>\$ 11,288,204</u>	<u>\$ 12,830,666</u>

See accompanying notes to financial statements.