

**NEW YORK INDEPENDENT LIVERY  
DRIVERS BENEFIT FUND**

**FINANCIAL STATEMENTS**

**YEAR ENDED  
DECEMBER 31, 2018**



**Hoberman & Lesser**  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

# NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
New York Independent Livery Drivers Benefit Fund

We have audited the accompanying financial statements of New York Independent Livery Drivers Benefit Fund (a non-profit organization) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York Independent Livery Drivers Benefit Fund as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Hoberman & Lesser, LLP*

November 8, 2019

# NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Statement of Financial Position  
As of December 31, 2018

## ASSETS

Cash and cash equivalents	\$1,319,546
Investments	2,835,537
Due from Hereford Insurance Company	1,082,652
Prepaid management and liability insurance	<u>16,043</u>
<b>Total Assets</b>	<b><u>\$5,253,778</u></b>

## LIABILITIES AND NET ASSETS

### LIABILITIES

Accrued expenses payable	\$ <u>22,029</u>
<b>Total Liabilities</b>	<b><u>22,029</u></b>

### Commitments and Contingencies

### NET ASSETS

Without Restrictions:	
Undesignated	2,614,749
Board designated for operations	<u>170,000</u>
<b>Total Net Assets Without Restrictions</b>	<b><u>2,784,749</u></b>
With Restrictions	<u>2,447,000</u>
<b>Total Net Assets With Restrictions</b>	<b><u>2,447,000</u></b>
<b>Total Net Assets</b>	<b><u>5,231,749</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$5,253,778</u></b>

See accompanying notes to financial statements.

# NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Statement of Activities  
For the Year Ended December 31, 2018

	<u>Total</u>	<u>Without Restrictions</u>	<u>With Restrictions</u>
<b>Revenues</b>			
<b>Programs:</b>			
Membership fees	\$2,894,931	\$2,894,931	
Profit sharing on workers compensation policy	489,463	489,463	
Recovery of claims previously assessed	300,000	300,000	
Net assets released from restrictions		<u>653,000</u>	(\$ 653,000)
<b>Total Programs</b>	<u>3,684,394</u>	<u>4,337,394</u>	<u>( 653,000)</u>
<b>Net Investment Return:</b>			
Interest income	44,759	44,759	
Realized gains, net	389	389	
Unrealized gain	4,886	4,886	
Investment advisory fee	( 10,043)	( 10,043)	
<b>Total Net Investment Return</b>	<u>39,991</u>	<u>39,991</u>	
<b>Total Revenues</b>	<u>3,724,385</u>	<u>4,377,385</u>	
<b>Program Expenses</b>			
Workers compensation policy	2,894,931	2,894,931	
Website hosting	<u>2,525</u>	<u>2,525</u>	
<b>Total Program Expenses</b>	<u>2,897,456</u>	<u>2,897,456</u>	
<b>Management and General Expenses</b>			
Administrative expenses	66,000	66,000	
Legal fees	48,000	48,000	
Accounting fees	20,000	20,000	
Bookkeeping fees	7,427	7,427	
Management liability insurance	19,948	19,948	
Board of Director fees	4,600	4,600	
Other sundry expenses	<u>2,373</u>	<u>2,373</u>	
<b>Total Management and General Expenses</b>	<u>168,348</u>	<u>168,348</u>	
<b>Total Expenses</b>	<u>3,065,804</u>	<u>3,065,804</u>	
<b>Change in Net Assets</b>	658,581	1,311,581	( 653,000)
<b>Net Assets - beginning of year</b>	<u>4,573,168</u>	<u>1,473,168</u>	<u>3,100,000</u>
<b>Net Assets - End of Year</b>	<u>\$5,231,749</u>	<u>\$2,784,749</u>	<u>\$2,447,000</u>

See accompanying notes to financial statements.

# NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Statement of Cash Flows  
For the Year Ended December 31, 2018

<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ 658,581
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities</b>	
Net realized gain on sale of investments	( 389)
Unrealized gain on investments	( 4,886)
<b>Changes in Operating Assets and Liabilities</b>	
Due from Hereford Insurance Company	( 390,235)
Prepaid management and liability insurance	( 37)
Accrued expenses payable	<u>18,728</u>
<b>Net Cash Provided by Operating Activities</b>	<u>281,762</u>
<b>Cash Flows from Investing Activities</b>	
Proceeds from sale of investments	1,125,000
Purchase of investments	( <u>1,509,470</u> )
<b>Net Cash Used In Investing Activities</b>	( <u>384,470</u> )
<b>Net Decrease in Cash and Cash Equivalents</b>	( 102,708)
<b>Beginning - Cash and Cash Equivalents</b>	<u>1,422,254</u>
<b>Ending - Cash and Cash Equivalents</b>	<u>\$1,319,546</u>

See accompanying notes to financial statements.

# NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements  
Year Ended December 31, 2018

**1. Nature of Organization** New York Independent Livery Drivers Benefit Fund (the “Fund” or “Organization”) is a not-for-profit organization created by the New York State Legislature. The Fund was incorporated in New York in 2009 for the principal purpose of securing the payment of full workers’ compensation benefits to independent livery drivers that are killed, are victims of crimes or suffer certain covered catastrophic injuries while performing covered services. The Fund provides benefits to independent livery bases that are members of the Fund as those terms are defined by Section 6-G of New York State Executive Law and Section 18-c of the Workers’ Compensation Law of New York State.

## **2. Summary of Significant Accounting Policies**

**Basis of Accounting** The financial statements of the Fund have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Recent Accounting Pronouncements** *ASU 2016-14 Presentation of Financial Statements of Not-for-Profit Entities*

The Financial Accounting Standards Board (“FASB”) added a project to its agenda to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity’s (“NFP’s”) liquidity, financial performance, and cash flows.

The main provisions of this update which amends the requirement for financial statements and notes in Topic 958, *Not-for-Profit Entities*, require an NFP to:

- 1) Report amounts for net assets with restrictions and net assets without restrictions, as well as the currently required amount for total net assets.
- 2) Present on the face of the statement of activities the amount of the change in each of the two classes of net assets.
- 3) Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer requires the presentation or disclosure of the indirect method if using the direct method.
- 4) Provide enhanced disclosures about a number of qualitative and quantitative items.
- 5) Report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses.
- 6) Use, in the absence of explicit stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with restrictions to net assets without restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption.

# NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements  
Year Ended December 31, 2018

## 2. Summary of Significant Accounting Policies (Continued)

### **Recent Accounting Pronouncements** (Continued)

The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 31, 2018. The Organization has adopted the update and applied its provisions retrospectively.

### **Net Assets**

Net assets, revenues and expenses are classified based on the existence or absence of imposed restrictions. Accordingly, the net assets of the Fund and changes therein, are classified and reported as follows:

Net Assets With Restrictions - pursuant to the Fund's mandate, restricted net assets will be maintained, as predicated based on New York State Executive Law and by the Board of Directors. This amount may increase or decrease based on the cost of the insurance premium and insurance claims incurred, as determined by the Board of Directors.

Net Assets Without Restrictions are not subject to statutory or Board of Directors imposed stipulations.

### **Cash and Cash Equivalents**

The Fund considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

### **Investments**

Investments in Certificates of Deposit are carried at cost. Investments in U.S. Treasury Securities and U.S. Agency Securities are recorded at fair value on the Statement of Financial Position with unrealized gains or losses included in the Statement of Activities.

### **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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.



# NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements  
Year Ended December 31, 2018

## 2. Summary of Significant Accounting Policies (Continued)

### Revenue Recognition

Independent livery companies are the members of the Fund providing benefits to affiliated drivers. The Fund determines, in conjunction with the insurance provider (“Hereford” or “HIC”), the annual member dues which are used to fund the workmen’s compensation insurance. Additionally, Hereford and the Fund have entered into a profit-sharing agreement whereby the Fund participates in the profits and losses of said workmen’s compensation insurance policy (the “Policy”). Pursuant to the agreement the Fund receives 25% of profits generated by the Policy over the last three prior years and is required to pay the portion of any claim in excess of \$1 million, as defined. The cumulative profit/loss is calculated at 45% of the annual premiums less the actual or estimated loss ratio of claims made and 15% of the claims incurred but not yet reported (“IBNR”). The profit sharing accrual is adjusted annually as the actual loss ratio of claims made changes from prior years. The IBNR factor will be reduced to zero thirty-six months after expiration of the policy year. If losses exceed 45% the Fund will be required to rebate the excess amount over 45% through reductions in future profit sharing.

Hereford remits the Funds net profit share amount, twenty-four months after the expiration of the Policy year. Payments are due within sixty days after each calculation due date.

### Credit Risk

The Fund maintains cash balances and investments at financial institutions that are in excess of federally insured amounts.

### Income Taxes

The Internal Revenue Service (“IRS”) has classified the Organization as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A). Income generated by activities that would be considered unrelated to the Organization’s mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized as of December 31, 2018.

The Organization accounts for uncertainty in income taxes recognized in the financial statements using a recognition threshold of more likely than not as to whether the uncertainty will be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold.

# NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements  
Year Ended December 31, 2018

## 2. Summary of Significant Accounting Policies (Continued)

**Contributed Services** Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the periods received.

During the year ended December 31, 2018, the Fund did not have any contributed services meeting the requirements for recognition in the financial statements.

**Fair Value  
Measurements**

The fair value measurement standard provides a comprehensive framework for measuring fair value and expands disclosures for assets and liabilities reported at fair value. It sets forth a definition of fair value and establishes a valuation hierarchy. See Note 6 for a discussion of fair value measurements.

**Functional Expenses**

The expenses have been summarized on a functional basis in the accompanying financial statements. Expenses which can be identified with the Fund's program for support functions are charged directly to the program. Expenses have been allocated between the program and supporting services based on management's best estimates.

## 3. Net Assets With Restrictions

The Fund has a mandate as stipulated by New York State Executive Law to accumulate restricted net assets equal to at least 50% of the cost of workers' compensation insurance. In addition, the Board of Directors, in its discretion, may reserve funds for potential future claims. At December 30, 2018, the statutorily imposed restrictions together with the Board's reserve for potential future claims aggregated \$2,447,000.

## 4. Due from Hereford Insurance Company

The amount due from HIC at December 31, 2018 is \$1,082,652. This amount is comprised of the Fund's cumulative portion of estimated annual insurance policy profit sharing in the amount of \$837,652 and a \$250,000 prepayment in connection with an insurance contract modification commencing in 2019 (see Note 5).

The net profit sharing revenue and losses for 2016 through 2018 includes the annual 15% of the total workmen's compensation insurance policy premiums for claims incurred but not yet reported. At December 31, 2018, the amount of this contingent liability was approximately \$446,391.

# NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements  
Year Ended December 31, 2018

## 5. Insurance Contract Modification

During 2018, the Fund and HIC entered into an agreement commencing January 1, 2019 in connection with the renewal of the insurance policy to reduce the minimum premium threshold from \$3,000,000 to \$2,200,000. The agreement requires the Fund to make a one-time payment in the amount of \$250,000 as a reduction of the Fund's 2016 profit sharing payment. In addition, the agreement was contingent upon there being no material change in loss experience by December 31, 2018. As of December 31, 2018, the \$250,000 payment to HIC has been reflected as due from Hereford Insurance Company in the accompanying statement of financial position.

## 6. Fair Value Measurements

The Fund's financial instruments consist principally of investments in U.S. Treasury Securities, U.S. Agency Securities and cash and certificates of deposits. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

*Level 1:* Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

*Level 2:* Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

*Level 3:* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The Fund's investments in U.S. Treasury Securities, U.S. Agency Securities and certificates of deposit are valued at fair market value and are classified as "Level 2" in the fair value hierarchy. The Company does not have any financial instruments in the "Level 1" and "Level 3" categories.

There have been no changes in Level 1, Level 2, and Level 3 and no changes in valuation techniques for these assets or liabilities for the period ended December 31, 2018.

# NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements  
Year Ended December 31, 2018

**6. Fair Value Measurements**  
(Continued)

The following schedule show the funds fair value of investments classified as Level 2:

U.S. Treasury Securities	\$1,676,766
U.S. Agency Securities	196,626
Certificates of deposit	<u>962,145</u>
<b>Total at December 31, 2018</b>	<b><u>\$2,835,537</u></b>

At December 31, 2018, net unrealized gains amounted to \$4,886.

**7. Financial Assets Available to Meet Cash Needs**

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

Financial assets, at year-end	
Cash and cash equivalents	\$1,319,546
Certificates of deposit and time deposits	962,145
Investments in U.S. Treasury Securities	1,676,766
Investments in U.S. Agency Securities	196,626
Due from Hereford	<u>1,082,652</u>
Financial assets available at December 31, 2018	5,237,735
Less those unavailable for general expenditures within one year, due to:	
Net assets with restrictions	<u>2,447,000</u>
Amounts available for general expenditures within one year	<b><u>\$2,790,735</u></b>

As part of the Fund's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**8. Recovery of Prior Insurance Claim Losses**

During 2018, HIC on behalf of the Fund was able to recover from a third party lien recovery ("The Recovery") previous costs incurred relating to a prior claim that were reflected in the prior profit sharing settlement years. During the year ended December 31, 2018, the Fund recognized The Recovery in the amount of \$300,000 in the Statement of Activities.

# NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements  
Year Ended December 31, 2018

## 9. Commitment

**Consulting Agreement** The Fund has entered into a consulting agreement with an individual for an annual fee of \$66,000 whereby the individual provides all administrative functions including tracking of Hereford's workers' compensation claims, and reporting Fund activities to the board of directors. The Agreement can be terminated by either party at any time.

**Legal Services** In addition, the Fund has entered into an agreement with an attorney for an annual fee of \$48,000 to act as general counsel for the Fund. The agreement can be terminated by either party at any time.

**10. Subsequent Events** The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 8, 2019, the date on which the financial statements were available to be issued.