

**NEW YORK INDEPENDENT LIVERY
DRIVERS BENEFIT FUND**

FINANCIAL STATEMENTS

**YEAR ENDED
DECEMBER 31, 2019**



Hoberman & Lesser
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of New York Independent Livery Drivers Benefit Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

May 8, 2020

NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Statement of Financial Position
As of December 31, 2019

ASSETS

Cash and cash equivalents	\$ 880,660
Investments	3,737,062
Due from Hereford Insurance Company	694,630
Prepaid management and liability insurance	<u>16,713</u>
Total Assets	<u>\$5,329,065</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accrued expenses payable	\$ 16,369
Total Liabilities	<u>16,369</u>

Commitments and Contingencies

NET ASSETS

Without Restrictions:	
Undesignated	2,695,696
Board designated for operations	<u>170,000</u>
Total Net Assets Without Restrictions	<u>2,865,696</u>
With Restrictions	<u>2,447,000</u>
Total Net Assets With Restrictions	<u>2,447,000</u>
Total Net Assets	<u>5,312,696</u>
Total Liabilities and Net Assets	<u>\$5,329,065</u>

See Independent Accountant's Review Report and accompanying notes to financial statements.

NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Statement of Activities
For the Year Ended December 31, 2019

	<u>Total</u>	<u>Without Restrictions</u>	<u>With Restrictions</u>
Revenues			
Programs:			
Membership fees	\$2,234,857	\$2,234,857	
Profit sharing on workers compensation policy	320,469	320,469	
Recovery of claims previously assessed	<u>96,335</u>	<u>96,335</u>	
Total Programs	<u>2,651,661</u>	<u>2,651,661</u>	
Net Investment Return:			
Interest income	77,626	77,626	
Realized gains, net	187	187	
Unrealized gain	9,849	9,849	
Investment advisory fee	(8,225)	(8,225)	
Total Net Investment Return	<u>79,437</u>	<u>79,437</u>	
Total Revenues	<u>2,731,098</u>	<u>2,731,098</u>	
Program Expenses			
Workers compensation policy	2,484,857	2,484,857	
Website hosting	<u>1,242</u>	<u>1,242</u>	
Total Program Expenses	<u>2,486,099</u>	<u>2,486,099</u>	
Management and General Expenses			
Administrative expenses	66,000	66,000	
Legal fees	48,000	48,000	
Accounting fees	16,800	16,800	
Bookkeeping fees	8,725	8,725	
Management liability insurance	20,150	20,150	
Board of Director fees	2,000	2,000	
Other sundry expenses	<u>2,377</u>	<u>2,377</u>	
Total Management and General Expenses	<u>164,052</u>	<u>164,052</u>	
Total Expenses	<u>2,650,151</u>	<u>2,650,151</u>	
Change in Net Assets	80,947	80,947	
Net Assets - beginning of year	<u>5,231,749</u>	<u>2,784,749</u>	<u>2,447,000</u>
Net Assets - End of Year	<u>\$5,312,696</u>	<u>\$2,865,696</u>	<u>\$2,447,000</u>

See Independent Accountant's Review Report and accompanying notes to financial statements.

NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Statement of Cash Flows
For the Year Ended December 31, 2019

Cash Flows from Operating Activities	
Change in net assets	\$ 80,947
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Net realized gain on sale of investments	(187)
Unrealized gain on investments	(9,849)
Changes in Operating Assets and Liabilities	
Due from Hereford Insurance Company	388,022
Prepaid management and liability insurance	(670)
Accrued expenses payable	(5,660)
Net Cash Provided by Operating Activities	<u>452,603</u>
Cash Flows from Investing Activities	
Proceeds from sale of investments	1,650,000
Purchase of investments	(2,541,489)
Net Cash Used In Investing Activities	<u>(891,489)</u>
Net Decrease in Cash and Cash Equivalents	(438,886)
Beginning - Cash and Cash Equivalents	<u>1,319,546</u>
Ending - Cash and Cash Equivalents	<u>\$ 880,660</u>

See Independent Accountant's Review Report and accompanying notes to financial statements.

NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements
Year Ended December 31, 2019
(See Independent Accountant's Review Report)

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.

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.

Investment transactions are accounted for on the dates the purchases or sales are executed (trade date). Interest income is recorded as earned on the accrual basis. Investment returns are presented net of external investment expenses/fees.

NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements
Year Ended December 31, 2019
(See Independent Accountant's Review Report)

2. Summary of Significant Accounting Policies (Continued)

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.

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 Fund's 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.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The adoption of this guidance did not have a material impact on the Fund's financial statements.

Credit Risk

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

NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements
Year Ended December 31, 2019
(See Independent Accountant's Review Report)

2. Summary of Significant Accounting Policies (Continued)

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, 2019.

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.

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, 2019, 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.

NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements
Year Ended December 31, 2019
(See Independent Accountant's Review Report)

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, 2019, 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, 2019 is \$694,630.

The net profit sharing revenue and losses for 2017 through 2019 includes the annual 15% of the total workmen's compensation insurance policy premiums for claims incurred but not yet reported. At December 31, 2019, the amount of this contingent liability was approximately \$338,010.

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 required 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, which was paid during the year ended December 31, 2019. In addition, the agreement was contingent upon there being no material change in loss experience by December 31, 2018.

6. Fair Value Measurements

The Fund's financial instruments consist principally of investments in U.S. Treasury Securities, U.S. Agency Securities, cash equivalents 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

NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements
Year Ended December 31, 2019
(See Independent Accountant's Review Report)

6. Fair Value Measurements
(Continued)

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 1" or "Level 2" in the fair value hierarchy. The Company does not have any financial instruments in the "Level 3" category.

There have been no changes in Levels and no changes in valuation techniques for these assets or liabilities for the period ended December 31, 2019.

Following is a description of the valuation methodologies used for assets measured at fair value:

U.S. Treasury Securities and U.S. Agency Securities: Valued at the closing price reported in the active market in which the individual securities are traded.

Certificates of deposit: Valued at amortized cost, which approximates fair value.

Cash equivalents: Included in cash and cash equivalents, and are valued based on the short-term nature of the financial instrument.

Investments at fair value as of December 31, 2019 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S Treasury Securities	\$ -	\$1,969,135	\$ -	\$ 1,969,135
U.S Agency Securities	-	49,632	-	49,632
Certificates of deposit	-	1,718,295	-	1,718,295
Cash equivalents	<u>58,381</u>	<u>-</u>	<u>-</u>	<u>58,381</u>
Total Investments at Fair Value	<u>\$ 58,381</u>	<u>\$3,737,062</u>	<u>\$ -</u>	<u>\$3,795,443</u>

Net unrealized gains amounted to \$9,849, for the year ended December 31, 2019.

NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements
Year Ended December 31, 2019
(See Independent Accountant's Review Report)

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	\$ 880,620
Certificates of deposit and time deposits	1,718,295
Investments in U.S. Treasury Securities	1,969,135
Investments in U.S. Agency Securities	49,632
Due from Hereford	<u>694,630</u>
Financial assets available at December 31, 2019	5,312,312
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	<u><u>\$2,865,312</u></u>

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 2019, 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, 2019, the Fund recognized The Recovery in the amount of \$96,335 in the Statement of Activities.

9. Commitments and Contingencies

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.

NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements
Year Ended December 31, 2019
(See Independent Accountant's Review Report)

9. Commitments and Contingencies (Continued)

Contingency

On August 1, 2019, a panel of three Commissioners of the Workers' Compensation Board ("WCB") determined that the claim made by the driver of a black car vehicle who received a dispatch from an independent livery base is covered by the Fund as a result of work-related injuries he sustained from a crime during said dispatch in March, 2018. The panel's decision reversed the Workers' Compensation Law Judge's March 28, 2019 decision, which disallowed the claim in its entirety. The Fund believes the panel's decision is incorrect as the law specifically states that only drivers of a livery vehicle are covered by the Fund and that the law specifically excludes drivers of black cars. Counsel for the Fund along with counsel for Hereford have prepared an application for full board review of the claim to the entire panel of Commissioners of the WCB. In the event the WCB does not grant the Fund full board review, counsel for the Fund along with counsel for Hereford will prepare an appeal to the 3rd Judicial Department of the State Supreme Court.

While it appears the financial ramifications of the claim in question are not material, should the WCB continue to find drivers of black cars to be covered by the Fund, there could be a material adverse impact to the financial condition of the Fund as it would be covering claims it never intended to cover. At this time, the Fund cannot determine the outcome of the full board review nor the financial impact to the Fund.

10. Subsequent Events

The Organization has considered subsequent events and transactions from December 31, 2019 to April 23, 2020, the date the financial statements were available to be issued.

COVID-19 Contingency

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. A health pandemic is a disease outbreak that spreads rapidly and widely by infection and affects many individuals in an area or population at the same time. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, which has led to an economic downturn. The public has avoided public gatherings and local, regional and national governments have limited and banned public gatherings to halt or spread the disease. The COVID-19 outbreak in the United States has resulted in the temporary mandatory closing of non-essential businesses throughout New York, having a direct effect on independent livery drivers. It is not possible for the Fund to predict the duration or magnitude of the adverse results of the outbreak and its effects on its members at this time.

NEW YORK INDEPENDENT LIVERY DRIVERS BENEFIT FUND

Notes to Financial Statements
Year Ended December 31, 2019
(See Independent Accountant's Review Report)

10. Subsequent Events (Continued)

Other Matters

During 2020, as a result of COVID-19, certain members of the Fund were unable to pay their membership fees and faced cancellation. During March 2020, the Board of Directors authorized the payment of \$105,785, the total amount owed by those members who were delinquent, and intends to make future payments on behalf of those members who did pay.