

Financial Statements
and Other Financial Information



Florida Birth Related Neurological Injury Compensation Association

*Years ended June 30, 2022 and 2021
with Report of Independent Auditors*



Florida Birth Related Neurological Injury Compensation Association

Financial Statements
and Other Financial Information

Years ended June 30, 2022 and 2021

Contents

Report of Independent Auditors	1
Management's Discussion and Analysis	5
Financial Statements	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11
Other Reports	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28
Other Financial Information	
Schedule of General and Administrative Expenses	30

Report of Independent Auditors

Board of Directors
Florida Birth Related Neurological Injury Compensation Association

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Florida Birth Related Neurological Injury Compensation Association (NICA) which comprise the statements of net position as of June 30, 2022 and 2021, the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of NICA, as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 NICA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NICA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Page Two

Auditor's Responsibility 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 GAAS and *Government 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government 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 consolidated 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 NICA'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 NICA'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.

Page Three

Other Matters

Financial Condition

At June 30, 2022, NICA has a deficit net position of approximately \$30.7 million. As discussed in Note 8 to the financial statements, additional funding sources as well as monitoring actions are described.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 7 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other financial information. The other information comprises the Schedule of General and Administrative Expenses but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Page Four

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022 on our consideration of NICA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NICA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NICA's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
October 24, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Florida Birth-Related Neurological Injury Compensation Association's (NICA) financial performance provides an overview of the Association's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with NICA's basic financial statements, which begin on page 8. NICA was established by 766.315, *Florida Statutes* to administer the Florida Birth-Related Neurological Injury Compensation Plan (the Plan). The Plan was established pursuant to the *Florida Birth-Related Neurological Injury Compensation Act*, Chapter 88-1, Laws of Florida, beginning January 1, 1989, and was created for the purpose of providing limited recovery, irrespective of fault, for certain birth-related neurological injuries. The Association and Plan referenced in the Florida Statutes are collectively known as NICA.

In the prior fiscal year, the Florida Legislature passed Senate Bill 1786 (SB 1786) which made substantial changes to the NICA program including explicit changes to certain benefit obligations. The changes in benefits included increases in the parental award, death benefit and housing assistance, expansion of the transportation benefit and the addition of a mental health benefit for family members of NICA participants. The actuarial estimate of the present value of these benefits had been included in the prior year Claims Reserves. During the fiscal year ending, June 30, 2022, the Florida Legislature passed Senate Bill 768 (SB 768) which authorized payment of the increased Parental Award retroactively to parents of participants who were deceased prior to the passage of SB 1786.

During the fiscal year ending June 30, 2022, NICA management refined the methodology used to prepare its estimates of accumulated reported claims which included the additional costs associated with SB 1786. In addition, an assumption that NICA will be covering, on a prospective basis, eligible expenses that have previously been covered by Medicaid was included in these estimates. As discussed below, the Medicaid change resulted in significant increases in NICA's claim reserve liability.

As of June 30, 2022, NICA's total assets decreased by \$354,568,456 (or -21%), primarily due to decreases in investments (see Table 1). Investments decreased by \$355,653,186 (or -21%) resulting primarily from investment holding losses which were offset by gains realized on proceeds from securities sold and investment income earned. Receivable for securities sold increased by \$155,159 (or 4%) due to timing differences that occur when securities are traded by investment managers but are not scheduled to settle until after the end of the fiscal year.

Total liabilities of NICA increased by \$185,954,756 (or 16%) as of June 30, 2022, primarily due to an increase in claims reserve (see Table 1). Claims reserve increased by \$185,000,000 (or 16%) primarily due to the change noted above regarding Medicaid as well as other revisions to the estimates of accumulated reported claims made by management and actuarial estimates of incurred but not reported (IBNR) claims for the current and prior birth years. The increase in payable for securities purchased of \$733,977 (or 17%) is primarily due to timing differences that occur when securities are traded by the investment managers but are not scheduled to settle until after the end of the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Table 1 – Net Position

	<u>2022</u>	<u>2021</u>
Investments	\$ 1,329,834,689	\$ 1,685,487,875
Receivable for securities sold	4,140,980	3,985,821
Other assets	10,942,244	10,012,673
Total assets	<u>1,344,917,913</u>	<u>1,699,486,369</u>
Claims reserves	1,369,500,000	1,184,500,000
Payable for securities purchased	5,067,455	4,333,478
Other liabilities	1,081,195	860,416
Total liabilities	<u>1,375,648,650</u>	<u>1,189,693,894</u>
Net investment in capital assets	2,589,514	2,734,139
Restricted	<u>(33,320,251)</u>	<u>507,058,336</u>
Total net position	<u>\$ (30,730,737)</u>	<u>\$ 509,792,475</u>

During the year, operating revenues from assessments increased by \$ 4,031,396 (or 13%) due to an increase in physician assessments.

Operating expenses increased by \$68,550,409 (or 34%) primarily due to an increase in claims expenses (see Table 2). Compared to the prior fiscal year, claims expenses increased by \$67,548,677 (or 35%). The higher claims expenses in the current fiscal year resulted primarily from increases in the revisions of the estimate of accumulated reported claims made by management as well as increases in the actuarial estimates of incurred but not reported (IBNR) claims for the current birth year which were offset by decreases in the actuarial estimates of IBNR claims for prior birth years.

NICA recorded a net investment loss of \$308,858,770 for the year ended June 30, 2022 (see Table 2). NICA's net investment income was primarily comprised of unrealized losses of approximately \$349.2 million which were offset by realized gains of \$23.4 million, and interest and dividend income of approximately \$20.8 million which were offset by investment management fees of approximately \$3.9 million.

The net effect of the increase in operating revenues and expenses and the recognition of investment losses was a decrease in net position of \$ 540,523,212 (see Tables 1 and 2).

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

Table 2 – Changes in Net Position

	2022	2021
Hospital assessments	\$ 3,249,950	\$ 3,175,050
Physician assessments	32,580,533	28,624,037
Total operating revenues	35,830,483	31,799,087
Claims expenses	262,330,736	194,782,059
Other operating expenses	5,164,189	4,162,457
Total operating expenses	267,494,925	198,944,516
Operating income (loss)	(231,664,442)	(167,145,429)
Investment income and other income	(305,000,709)	254,082,247
Investment fees	(3,858,061)	(3,706,519)
Total Nonoperating revenues and expenses	(308,858,770)	250,375,728
Change in net position	\$ (540,523,212)	\$ 83,230,299

During the ordinary course of business, NICA is involved in litigation. In a lawsuit styled United States of America ex rel. Arven, et al. v. The Florida Birth-Related Neurological Injury Compensation Association, et al., No. 19-CV-61053-WPD (S.D. Fla 2019), two relators (“Relators”) allege that NICA has violated the federal false claims act (“FCA”), 31 U.S.C. § 3729 et seq., by treating itself as the “payor of last resort” vis-à-vis Medicaid. In other words, where a NICA participant is enrolled in Medicaid and an expense is covered by both programs, NICA has historically taken the position that Medicaid, and not NICA, should pay for the expense. In Relators’ view, NICA is a “third party” under 42 U.S.C. § 1396a(a)(25)(A), and, therefore, should pay for expenses covered by Medicaid. By failing to do so, the lawsuit alleges NICA has violated the FCA. Relators seek treble damages and penalties under the FCA’s statutory framework. NICA denies these allegations. The United States filed a notice advising the court that it is not intervening in the case but will continue an investigation into the issues. Discussions continue with the United States regarding NICA’s alleged liability and changes to NICA’s treatment of Medicaid as a third party. (NICA has taken steps to change its process, which has impacted its loss and loss adjustment expenses. In addition, NICA continues to work with the Agency for Health Care Administration to address the issues raised during the last legislative session regarding NICA’s relationship with Medicaid.)

NICA has several substantial defenses to the legal claims asserted. NICA’s threshold defense that it is not subject to FCA liability as an arm of the state was denied by the District Court and affirmed on appeal. On August 22, 2022, NICA filed its Answer and Affirmative Defenses to Relators’ Amended Complaint. Given the early stages of the district court litigation, the ultimate litigation outcome is uncertain. Accordingly, no provision has been made in the financial statements for this contingency.

Florida Birth Related Neurological Injury Compensation Association

Statements of Net Position

	June 30,	
	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 915,265	\$ 605,717
Prepaid expenses and other current assets	44,891	76,705
Total current assets	960,156	682,422
Receivables for securities sold	4,140,980	3,985,821
Investment income receivable	4,865,824	4,361,512
Assessments receivable	2,526,750	2,234,600
Investments	1,329,834,689	1,685,487,875
Property and equipment, net	2,589,514	2,734,139
Total assets	\$ 1,344,917,913	\$ 1,699,486,369
Liabilities and net position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 503,795	\$ 506,516
Accrued investment fees	577,400	353,900
Total current liabilities	1,081,195	860,416
Payable for securities purchased	5,067,455	4,333,478
Claims reserves	1,369,500,000	1,184,500,000
Total liabilities	1,375,648,650	1,189,693,894
Net position:		
Net investment in capital assets	2,589,514	2,734,139
Restricted	(33,320,251)	507,058,336
Total net position	(30,730,737)	509,792,475
Total liabilities and net position	\$ 1,344,917,913	\$ 1,699,486,369

See accompanying notes.

Florida Birth Related Neurological Injury Compensation Association

Statements of Revenues, Expenses, and Changes in Net Position

	<u>Years ended</u> <u>2022</u>	<u>June 30,</u> <u>2021</u>
Changes in net position		
Operating revenues:		
Hospital assessments	\$ 3,249,950	\$ 3,175,050
Physicians assessments	<u>32,580,533</u>	<u>28,624,037</u>
Total operating revenues	<u>35,830,483</u>	31,799,087
Operating expenses:		
Claims incurred	262,330,736	194,782,059
General and administrative expenses	4,213,096	3,382,091
Depreciation and amortization	<u>951,093</u>	<u>780,366</u>
Total operating expenses	<u>267,494,925</u>	<u>198,944,516</u>
Operating loss	(231,664,442)	(167,145,429)
Nonoperating revenues (expenses):		
Investment (loss) income	(305,000,709)	254,082,247
Investment fees	<u>(3,858,061)</u>	<u>(3,706,519)</u>
Total nonoperating revenues (expenses)	<u>(308,858,770)</u>	<u>250,375,728</u>
Change in net position	(540,523,212)	83,230,299
Net position at beginning of year	<u>509,792,475</u>	<u>426,562,176</u>
Net position at end of year	<u>\$ (30,730,737)</u>	<u>\$ 509,792,475</u>

See accompanying notes.

Florida Birth Related Neurological Injury Compensation Association

Statements of Cash Flows

	Years ended June 30,	
	2022	2021
Operating activities		
Cash received from hospitals and physicians	\$ 35,559,099	\$ 31,675,137
Cash payments to claimants and vendors	(77,322,889)	(49,761,658)
Cash payments to service providers and suppliers	(2,480,412)	(1,772,271)
Cash payments to employees for service	(1,268,481)	(1,081,866)
Cash payments to employees for benefits	(463,723)	(454,605)
Net cash used in operating activities	(45,976,406)	(21,395,263)
Capital financing activities		
Purchase of property and equipment	(806,468)	(862,783)
Net cash used in capital financing activities	(806,468)	(862,783)
Investing activities		
Purchase of investments	(698,688,146)	(831,688,671)
Proceeds from sales of investments	728,020,330	838,655,083
Receivable from securities sold	(155,158)	5,414,852
Payable for securities purchased	733,977	(4,689,568)
Interest and dividends from investments	20,817,045	18,608,227
Investment management fees	(3,635,626)	(3,707,320)
Net cash provided by investing activities	47,092,422	22,592,603
Net increase in cash and cash equivalents	309,548	334,557
Cash and cash equivalents at beginning of year	605,717	271,160
Cash and cash equivalents at end of year	\$ 915,265	\$ 605,717
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (231,664,442)	\$ (167,145,429)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	951,093	780,366
Changes in operating assets and liabilities:		
Assessments receivable	(271,384)	(123,950)
Prepaid expenses and other current assets	31,814	(7,616)
Accounts payable and accrued expenses	(23,487)	101,366
Claims reserves	185,000,000	145,000,000
Net cash used in operating activities	\$ (45,976,406)	\$ (21,395,263)

See accompanying notes.

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

Years ended June 30, 2022 and 2021

1. Summary of Significant Accounting Policies

Nature of the Business

The Florida Birth-Related Neurological Injury Compensation Association (the Association) was established by *Florida Statutes*, Chapter 766.315, in July 1, 1988 to administer the Florida Birth-Related Neurological Injury Compensation Plan (the Plan). The Plan was established by the Florida Birth-Related Neurological Injury Compensation Act (the Act), Chapter 88-1, Laws of Florida for the purpose of providing limited recovery, irrespective of fault, for certain birth-related neurological injuries beginning January 1, 1989. The Association and Plan are collectively known as NICA.

Initial funding for NICA was provided by hospital and physician assessments and a transfer of \$20 million from the Florida Department of Financial Service Insurance Regulatory Trust Fund.

If the hospital and physician assessments and the \$20 million transfer from the Insurance Regulatory Trust Fund are not sufficient to maintain NICA on an actuarially sound basis, an additional \$20 million is to be transferred from the Insurance Regulatory Trust Fund (Note 2). Also, if these funds are still not sufficient to maintain NICA on an actuarially sound basis, the Department of Financial Services, Office of Insurance Regulation may assess entities licensed in Florida to issue casualty insurance based on a rate of no greater than .25% of net direct premiums written.

In the event that management's estimate of the accumulated cost of reported claims (exclusive of family residential or custodial care as defined in Section 766.302, *Florida Statutes*) equals 80% of current funds, plus any additional funds available within 12 months, NICA shall not accept new claims without express authority from the Legislature. However, injuries occurring 18 months or more prior to the effective date of the suspension shall not be precluded.

Reporting Entity

Activities of NICA are reported in the state of Florida financial statements with other discretely presented component units.

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

NICA follows financial reporting requirements for enterprise funds, which use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

The financial statements have been prepared in conformity with the pronouncements of the Governmental Accounting Standards Board (GASB), including GASB Statement No. 14, *The Financial Reporting Entity*, which defines NICA as a component unit of the state of Florida.

Assessments

An assessment of \$250 per physician is required by *Florida Statutes* for all licensed physicians in the state of Florida, subject to certain exclusions. In addition, physicians have the option of electing to participate in NICA. Those physicians so electing are required to remit a total assessment of \$5,000. Certified nurse midwives who have paid 50% (or \$2,500) of the participating physician assessment and who are supervised by a participating physician may also participate in NICA. Additionally, each hospital licensed under Chapter 395, *Florida Statutes*, must pay NICA an assessment of \$50 per live infant delivered at the hospital during the prior calendar year, subject to certain exclusions.

Assessments are recognized at the time they are levied (annually) by NICA. The amount of physician and hospital assessments is subject to change based on the actuarial analysis of NICA. Any increase in assessment is recommended by the Board of Directors, but must be approved by the Office of Insurance Regulation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and interest bearing deposits with an original maturity of three months or less are considered cash equivalents. Investment purchases made through the Office of the Treasurer, State of Florida, are considered to be investments.

Cash consists of demand deposits with financial institutions. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Bank deposits at times may exceed federally insured limits. NICA has not experienced any losses in such accounts.

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

Additionally, NICA maintains certain demand deposit accounts with qualified public depositories. Qualified public depositories of public funds are required to provide collateral each month pursuant to Chapter 280.04, *Florida Statutes*. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories. Therefore, any amount of NICA's demand deposits in excess of FDIC protection would be fully insured or collateralized.

Assessments Receivable

The management of NICA considers assessments receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Investments

Investments in debt and equity securities and futures are stated at fair value. Fair values are based on quoted values in custodian statements and/or quoted market prices. NICA investments made through the Office of the Treasurer, State of Florida, are included in the Florida Treasury Investment Pool (SPIA), which is a pool of investments of which NICA owns a share of the pool, not the underlying securities. Pooled investment shares are reported at fair value. The Auditor General, State of Florida, performs the operational audit of the activities and investments of the Office of the Treasurer. A copy of SPIA's most recent financial statements can be found at http://www.fltreasury.org/fs_01.html. Additionally, NICA invests in structured settlement annuities for selected claimants. These annuities are considered fixed income investments and are reported at fair value based on present value of future annuity payments. *Florida Statutes* and NICA's investment policy permit NICA to enter into securities lending transactions.

The financial instruments exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, and investments. All investment transactions have credit exposure to the extent that a counterparty may default on an obligation of NICA. Credit risk is a consequence of carrying investment positions. To manage credit risk, NICA focuses primarily on higher quality, fixed income securities, limits its exposure in any one investment, and monitors quality.

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Property and equipment is depreciated over its estimated useful lives ranging from three to fifteen years using primarily the straight-line method. The building is depreciated over forty years using the straight-line method. NICA's policy is to capitalize asset acquisitions greater than \$500.

Claims Reserves

The liability for claims reserves is based on an actuarial determination and represents the estimated ultimate net cost of all unpaid reported and unreported claims and claim adjustment expenses. These liabilities are subject to the impact of future changes in claim severity and other factors. The unpaid claims and claim adjustment expense estimates are continually reviewed and, as adjustments become necessary, such adjustments are reflected in current operations. The ultimate settlement of claims and claim adjustment expenses may vary significantly from the actuarial estimates.

Net Position

The net position of NICA is restricted to carry out the public purpose of the program as provided under the Act.

Revenue Recognition

Operating revenues consist of hospital and physicians assessments and are recognized when earned. Nonoperating revenues consist of various forms of investment income.

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 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.

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Subsequent Events

NICA has evaluated subsequent events through October 24, 2022, the date the financial statements were available to be issued. During the period from June 30, 2022 to October 24, 2022, NICA did not have any material recognizable subsequent events.

2. Appropriation - Office of Insurance Regulation

Pursuant to *Florida Statutes*, Section 766.314(5)(b), the sum of \$20 million has been deposited in the Insurance Regulatory Trust Fund. The distribution of "up to \$20 million" to NICA has been authorized in the event that the assessments collected in accordance with *Florida Statutes*, Section 766.314(4), and prior appropriations are not sufficient to maintain NICA on an actuarially sound basis. The entire \$20 million is presently deposited in the Insurance Regulatory Trust Fund and is not reported by NICA.

3. Investments

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 the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for an asset or liability.

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

3. Investments (continued)

The following table set forth by level, within the fair value hierarchy, NICA's assets at fair value as of June 30, 2022.

<u>Asset Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash sweep - short term investment fund	\$ -	\$ -	\$ 17,457,132	\$ 17,457,132
Equities	246,981,840	-	-	246,981,840
Fixed income securities	62,477,475	316,288,680	-	378,766,155
Preferred securities	2,986,803	-	-	2,986,803
Annuities	-	-	16,254,489	16,254,489
Futures Contracts	(211,773)	-	-	(211,773)
	<u>312,234,345</u>	<u>316,288,680</u>	<u>33,711,621</u>	<u>662,234,646</u>
Other investments:				
Pooled investment in Florida State Treasury	-	-	-	278,008
Pooled investments reported at net asset value	-	-	-	665,367,636
Foreign currency	-	-	-	1,484,082
Other	-	-	-	470,317
Total assets at fair value	<u>\$ 312,234,345</u>	<u>\$ 316,288,680</u>	<u>\$ 33,711,621</u>	<u>\$ 1,329,834,689</u>

The following table set forth by level, within the fair value hierarchy, NICA's assets at fair value as of June 30, 2021.

<u>Asset Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash sweep - short term investment fund	\$ -	\$ -	\$ 33,668,167	\$ 33,668,167
Equities	348,512,311	-	-	348,512,311
Fixed income securities	64,998,814	382,466,139	-	447,464,953
Preferred securities	4,659,832	-	-	4,659,832
Annuities	-	-	21,095,664	21,095,664
Futures Contracts	470,445	-	-	470,445
	<u>418,641,402</u>	<u>382,466,139</u>	<u>54,763,831</u>	<u>855,871,372</u>
Other investments:				
Pooled investment in Florida State Treasury	-	-	-	283,184
Pooled investments reported at net asset value	-	-	-	829,262,035
Foreign currency	-	-	-	454,310
Other	-	-	-	(383,026)
Total assets at fair value	<u>\$ 418,641,402</u>	<u>\$ 382,466,139</u>	<u>\$ 54,763,831</u>	<u>\$ 1,685,487,875</u>

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

3. Investments (continued)

As of June 30, 2022, investments of NICA were as follows:

Types of Investments		Effective Duration
<u>Classifiable Investments:</u>	<u>Fair Value</u>	<u>(in Years)</u>
Annuities	\$ 16,254,489	n/a
Asset-backed securities	13,832,609	1.82
Corporate bonds	241,176,137	10.71
Federal Home Loan Mortgage	12,370,982	5.44
Federal National Mortgage Association	15,171,895	5.86
Futures contracts	(211,773)	n/a
Government National Mortgage Association	974,734	5.08
International government bonds	3,668,545	13.50
U.S. government bonds	62,477,475	13.03
Collateralized mortgage obligations	18,179,623	3.08
Municipal bonds	10,914,155	6.34
U.S. debt	485,019,884	n/a
Pooled investment in Florida State Treasury	278,008	1.04
Equity securities	<u>431,800,477</u>	n/a
Total classifiable investments	<u>1,311,907,240</u>	
 Non-classifiable investments:		
Cash sweep - short term investment fund	17,457,132	
Other	<u>470,317</u>	
Total non-classifiable investments	<u>17,927,449</u>	
 Total investments	 <u>\$1,329,834,689</u>	

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

3. Investments (continued)

As of June 30, 2021, investments of NICA were as follows:

Types of Investments	Fair Value	Effective Duration (in Years)
Classifiable Investments:		
Annuities	\$ 21,095,664	n/a
Asset-backed securities	10,993,601	1.98
Corporate bonds	298,232,146	11.80
Federal Home Loan Mortgage	15,115,319	2.04
Federal National Mortgage Association	17,590,359	1.90
Futures contracts	470,445	n/a
Government National Mortgage Association	1,482,100	3.48
International government bonds	5,896,199	17.40
U.S. government bonds	64,998,814	17.06
Collateralized mortgage obligations	20,412,282	5.43
Municipal bonds	12,744,133	7.47
U.S. debt	574,296,417	n/a
Pooled investment in Florida State Treasury	283,184	2.6
Equity securities	<u>608,592,070</u>	n/a
Total classifiable investments	<u>1,652,202,733</u>	
Non-classifiable investments:		
Cash sweep - short term investment fund	33,285,141	
Other	<u>383,026</u>	
Total non-classifiable investments	<u>33,668,167</u>	
	<u>\$1,685,870,900</u>	

Investments are diversified to minimize the risk of loss resulting from over compensation of assets in a specific maturity period, a single issuer, or an individual class of securities.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. To mitigate investment risk, investing is performed in accordance with investment policies adopted by the Board of Directors complying with Section 215.47, *Florida Statutes*. State statutes provide for investment of funds in a range of instruments, including federally guaranteed obligations, other federal agency obligations, certain state bonds, commercial paper, obligations of a Florida political subdivision as permitted by law, common stock, repurchase agreements, and reverse repurchase agreements.

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

3. Investments (continued)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, NICA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Custody of NICA's investments is currently maintained in NICA's name by Bank of New York Mellon pursuant to a custodial agreement. Additional accounts are maintained in NICA's name under separate agreements with BlackRock Institutional Trust Company, N.A. and the Division of Treasury of the state of Florida. Structured settlement annuities are maintained under agreements with Talcott Resolution Life Insurance Company, which has a Baa3 rating.

Generally, investing activities are performed by investment managers hired by NICA to implement established investment policies.

NICA's asset allocation policy is as follows:

<u>Asset Class</u>	<u>Permissible Range</u>
Fixed Income	58 - 70%
Equity	31 - 37%
Cash	0 - 3%

Credit Quality Rating. Section 215.47, *Florida Statutes*, and NICA's investment policy limits investments based on ratings provided by nationally recognized statistical rating services. Investments limited by ratings are as follows:

1. Commercial paper rated in the highest rating classification by one nationally recognized rating agency.
2. Municipal securities rated in the top four highest rating by two nationally recognized rating services.
3. Registered foreign bonds denominated in U.S. dollars rated in the top four rating classifications by two nationally recognized rating services.
4. Asset-backed securities rated in the highest rating classification by one nationally recognized rating service.

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

3. Investments (continued)

<u>Debt Security Type</u>	<u>Quality Rating Moody's</u>	<u>Fair Value</u>
Asset-backed	Aaa	\$ 6,101,484
Asset-backed	NR	7,731,125
Collateralized mortgage obligation	Aaa	15,175,281
Collateralized mortgage obligation	NR	3,004,342
Corporate bonds	A1	13,915,225
Corporate bonds	A2	27,173,827
Corporate bonds	A3	29,010,654
Corporate bonds	Aa1	233,369
Corporate bonds	Aa2	1,738,565
Corporate bonds	Aa3	9,666,943
Corporate bonds	Aaa	3,227,239
Corporate bonds	Ba1	7,656,612
Corporate bonds	Baa1	49,286,827
Corporate bonds	Baa2	56,603,887
Corporate bonds	Baa3	38,246,457
Corporate bonds	NR	4,416,532
Federal Home Loan Mortgage	Aaa	12,370,982
Federal National Mortgage Association	Aaa	15,171,895
Futures contracts	NR	(211,773)
Government National Mortgage Association	Aaa	974,734
International Government Bonds	Baa1	3,668,545
Municipal bonds	A1	108,594
Municipal bonds	A3	2,238,699
Municipal bonds	Aa1	1,724,679
Municipal bonds	Aa2	2,544,914
Municipal bonds	Aa3	657,772
Municipal bonds	Aaa	1,148,799
Municipal bonds	Baa2	379,818
Municipal bonds	NR	2,110,880
U.S. Debt	NR	485,019,884
U.S. Government Bond	Aaa	62,477,475
		<u>\$ 863,574,266</u>

Concentration of Credit Risk is the risk of loss attributed to the magnitude of NICA's investment in a single issuer. NICA assets are expected to be diversified across and within asset classes. However, NICA does not specify a limit on the amount that may be invested in any one issuer.

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

3. Investments (continued)

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods are subject to increased risk of adverse interest rate changes. For reporting purposes, NICA selects effective duration to disclose the portfolio's exposure to changes in interest rates. Duration is a measure of a fixed income's cash flows using present values, weighted for cash flow as a percentage of the investment's full price. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments as callable bonds, prepayments, and variable rate debt.

NICA is invested in collateralized mortgage obligations. These securities and obligations are based on cash flows from payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

Foreign Currency Risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. NICA's investment policy permits it to invest up to 18 percent of total investments in international equities. At June 30, 2022, NICA's exposure to possible foreign currency risk by monetary unit is as follows:

<u>Investment Type</u>	<u>Currency Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Currency	Australian Dollar	n/a	\$ 928
	Brazil Real	n/a	3
	Canadian Dollar	n/a	170,698
	Czech Koruna	n/a	311
	Euro Currency Unit	n/a	13,271
	Hong Kong Dollar	n/a	302,797
	Hungarian Forint	n/a	736
	Indonesian Rupiah	n/a	12,271
	Israeli Shekel	n/a	1,042
	Japanese Yen	n/a	71,912
	Mexican Peso	n/a	935
	New Taiwan Dollar	n/a	137,381
	Polish Zloty	n/a	821
	Pound Sterling	n/a	619,134
	Singapore Dollar	n/a	980
	South African Rand	n/a	8
	South Korean Won	n/a	90,512
	Swedish Krona	n/a	59,974
Swiss Franc	n/a	75	
Turkish Lira	n/a	293	

(continued)

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

3. Investments (continued)

<u>Investment Type</u>	<u>Currency Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Common stock	Australian Dollar	n/a	5,955,939
	Brazil Real	n/a	1,796,315
	Canadian Dollar	n/a	7,645,654
	Chinese Yuan Renminbi	n/a	4,270,100
	Danish Krone	n/a	562,753
	Euro Currency Unit	n/a	36,665,577
	Hong Kong Dollar	n/a	21,687,613
	Hungarian Forint	n/a	266,511
	Indonesian Rupiah	n/a	459,501
	Israeli Shekel	n/a	104,685
	Japanese Yen	n/a	37,733,890
	Malaysian Ringgit	n/a	139,710
	Mexican Peso	n/a	1,724,324
	New Taiwan Dollar	n/a	5,508,695
	New Zealand Dollar	n/a	21,675
	Norwegian Krone	n/a	1,796,850
	Polish Zloty	n/a	323,502
	Pound Sterling	n/a	22,937,849
	Singapore Dollar	n/a	4,274,190
	South African Rand	n/a	1,631,264
	South Korean Won	n/a	5,775,141
	Swedish Krona	n/a	10,128,835
	Swiss Franc	n/a	8,409,057
Thailand Baht	n/a	895,236	
Turkish Lira	n/a	61,208	
Preferred securities	Brazil Real	n/a	363,051
	Euro Currency Unit	n/a	<u>2,623,752</u>
			<u>\$ 185,246,959</u>

Pooled investments with the State Treasury and investments measured at net asset value are not subject to fair value hierarchy level classification under GASB Statement No. 72, *Fair Value Measurement and Application*.

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

4. Property and Equipment

Activity within the property and equipment accounts consists of the following for the year ended June 30, 2022:

	Beginning Balances	Additions	Deletions	Ending Balances
Land	\$ 209,088	\$ -	\$ -	\$ 209,088
Building	320,585	-	-	320,585
Building improvements	88,411	-	-	88,411
Property and equipment	258,017	36,283	(7,403)	286,897
Software	4,174,719	718,319	-	4,893,038
Software in development	-	51,941	-	51,941
	5,050,820	806,543	(7,403)	5,849,960
Less accumulated depreciation and amortization	<u>(2,316,681)</u>	<u>(951,093)</u>	<u>7,328</u>	<u>(3,260,446)</u>
	<u>\$ 2,734,139</u>	<u>\$ (144,550)</u>	<u>\$ (75)</u>	<u>\$ 2,589,514</u>

Activity within the property and equipment accounts consists of the following for the year ended June 30, 2021:

	Beginning Balances	Additions	Deletions	Ending Balances
Land	\$ 209,088	\$ -	\$ -	\$ 209,088
Building	320,585	-	-	320,585
Building improvements	88,411	-	-	88,411
Property and equipment	303,087	16,330	(61,400)	258,017
Software	3,328,268	846,451	-	4,174,719
	4,249,439	862,781	(61,400)	5,050,820
Less accumulated depreciation and amortization	<u>(1,597,715)</u>	<u>(780,366)</u>	<u>61,400</u>	<u>(2,316,681)</u>
	<u>\$ 2,651,724</u>	<u>\$ 82,415</u>	<u>\$ -</u>	<u>\$ 2,734,139</u>

Depreciation and amortization expense was \$951,093 and \$780,366 for the years ended June 30, 2022 and 2021, respectively.

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

5. Claims Reserves

Claims reserves are provided in amounts estimated to cover the custodial and rehabilitative costs resulting from certain birth-related neurological injuries of claimants of participating physicians and include an estimate of accumulated reported claims and claims incurred but not reported. The claim reserve is actuarially determined for birth years 1989 through June 30, 2022. The reserves utilize adjustment factors for the assumption of the annual investment return and the annual inflation rate.

A class action settlement agreement was entered into in September 2012, which was approved pursuant to a November 26, 2012 Final Judgment and Order by the Florida Circuit Court. The settlement terms may impact benefits payable to all parents or guardians of a child born with a “birth-related neurological injury” in the state of Florida during the time period of January 1, 1989 through June 6, 2002, who obtained a final order which imposed on NICA the “continuing obligation under provisions of Section 766.31, *Florida Statutes*, to pay future expenses as incurred.” The settlement agreement had both retrospective and prospective components.

Medical liability claims are volatile by nature. Although management of NICA believes that the estimate of the liability for losses and loss adjustment expenses is reasonable in the circumstances, uncertainty exists as to the ultimate amount that will be required for the payment of losses and claims. Due to the timeframe associated with the emergence of claims, the most recent two years' estimates have greater uncertainty. Accordingly, the ultimate closure of losses and the related loss adjustment expenses may vary significantly from the estimated amounts included in the accompanying financial statements.

In prior years, NICA maintained a reinsurance program which addressed both the frequency and severity of claims. Excess insurance coverage for NICA expired effective December 31, 2003. During 2007, NICA invested in structured settlement annuities for selected claimants to fund a portion of its future obligations. The purpose of the annuities is to protect NICA against the financial effects of super longevity and to reduce the mortality risk on certain claims, which is statutorily borne by NICA. NICA has also adjusted claim reserves to provide for a risk margin in the event claims incurred but not yet reported significantly exceed management's best estimate. The risk margin was approximately \$75.5 million as of June 30, 2022.

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

5. Claims Reserves (continued)

Activity in the liability for unpaid claims and claim adjustment expenses is summarized as follows:

	June 30,	
	2022	2021
Balance at beginning of year, including risk margin	\$ 1,184,500,000	\$ 1,039,500,000
Claims incurred related to:		
Current birth year	70,538,496	55,788,432
Prior birth years	3,865,461	56,432,250
Total claims incurred	74,403,957	112,220,682
Claims adjusted related to prior birth years	182,636,459	81,999,733
Claims paid related to:		
Prior years	(77,330,735)	(49,782,059)
Total claims paid	(77,330,735)	(49,782,059)
Change in unallocated loss adjustment expense	5,290,319	561,644
Balance at end of year	\$ 1,369,500,000	\$ 1,184,500,000

6. Retirement Plan

Effective July 1, 2003, NICA established a defined contribution retirement plan, in the form of a 401(k) plan, which covers substantially all full time employees with at least one year of service. Contributions are accrued and funded on a current basis. NICA contributed 15% of the participating employees' salaries for the fiscal years ended June 30, 2022 and 2021. The contribution was \$147,653 and \$162,107 for the years ended June 30, 2022 and 2021, respectively.

7. Commitments and Contingencies

During the ordinary course of business, NICA is involved in litigation. In a lawsuit styled *United States of America ex rel. Arven, et al. v. The Florida Birth-Related Neurological Injury Compensation Association, et al.*, No. 19-CV-61053-WPD (S.D. Fla 2019), two relators (Relators) allege that NICA has violated the federal false claims act (FCA), 31 U.S.C. § 3729 *et seq.*, by treating itself as the “payor of last resort” vis-à-vis Medicaid. In other words, where a NICA participant is enrolled in Medicaid and an expense is covered by both programs, NICA has historically taken the position that Medicaid, and not NICA, should pay for the expense. In Relators’ view, NICA is a “third party” under 42 U.S.C. § 1396a(a)(25)(A), and, therefore, should pay for expenses covered by Medicaid. By failing to do so, the lawsuit alleges NICA has violated the FCA. Relators seek treble damages and penalties under the FCA’s statutory framework. NICA denies these allegations. The United States filed a notice advising the court that it is not intervening in the case but will continue an investigation into the issues. Discussions

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

7. Commitments and Contingencies (continued)

continue with the United States regarding NICA's alleged liability and changes to NICA's treatment of Medicaid as a third party. (NICA has taken steps to change its process, which has impacted its loss and loss adjustment expenses. In addition, NICA continues to work with the Agency for Health Care Administration to address the issues raised during the last legislative session regarding NICA's relationship with Medicaid.)

NICA has several substantial defenses to the legal claims asserted. NICA's threshold defense that it is not subject to FCA liability as an arm of the state was denied by the District Court and affirmed on appeal. On August 22, 2022, NICA filed its Answer and Affirmative Defenses to Relators' Amended Complaint. Given the early stages of the district court litigation, the ultimate litigation outcome is uncertain. Accordingly, no provision has been made in the financial statements for this contingency.

8. Financial Condition

During the fiscal year ending June 30, 2022, inflation and abrupt tightening of fiscal policy, along with war continuing to disrupt energy and food supplies, led to both stock and bond market declines. As a result, NICA reported losses on investments of \$305 million which were comprised of unrealized losses of approximately \$349.2 million which were offset by realized gains of \$23.4 million, and interest and dividend income of approximately \$20.8 million.

In the prior fiscal year, the Florida Legislature passed Senate Bill 1786 (SB 1786) which made substantial changes to the NICA program including explicit changes to certain benefit obligations. The actuarial estimate of the present value of these benefits had been included in the prior year claims reserve liability. In addition to the explicit benefit modifications, SB 1786 included a requirement for review by the Agency for Health Care Administration (AHCA) of the interaction between NICA and Medicaid. Additionally, separate pending litigation alleges that NICA should pay for expenses covered by Medicaid. During the fiscal year ending June 30, 2022, NICA revised its estimates of accumulated reported claims to include the assumption that NICA would be covering, on a prospective basis, eligible expenses that had previously been covered by Medicaid. This change resulted in significant increases in NICA's claims reserve liability. NICA continues to work with AHCA to address the issues raised during the last legislative session regarding NICA's relationship with Medicaid.

Florida Birth Related Neurological Injury Compensation Association

Notes to Financial Statements

8. Financial Condition (continued)

The combined effects of the investment losses and increases in claims reserve liabilities resulted in deficit ending net position at June 30, 2022 of (\$30.7) million. The impact of adverse investment activity and increased claims liabilities is mitigated by the following:

- As disclosed in Note 2, *Florida Statutes*, Section 766.314(5)(b) provides for a distribution of “up to \$20 million” from the Insurance Regulatory Trust Fund in order to maintain NICA on an actuarially sound basis.
- The Office of Insurance Regulation may assess certain entities licensed in Florida to issue casualty insurance based on a rate no greater than .25% of net direct premiums written.
- NICA’s claims payments are made over many decades into the future.
- Section 766.314(9)(c), *Florida Statutes*, outlines a minimum funding level that NICA must meet to continue accepting claims. This threshold calculation compares eighty percent of the funds on hand and funds that are expected to become available within the next 12 months to the present value of all filed claims (exclusive of family residential or custodial care as defined in Section 766.302, *Florida Statutes*). At June 30, 2022, NICA exceeded this minimum funding level by approximately \$182 million.
- NICA, with the assistance of its outside investment consultants, completes an asset allocation review and study approximately every two years. Revisions to the investment policy are made as necessary to satisfy the primary goal of earning sufficient investment return to ensure payment of all current and future liabilities. Actual investment results are monitored closely by NICA, its outside consultants and the Board of Directors.
- NICA’s claims reserve liability includes a risk margin reserve of \$75.5 million at June 30, 2022.
- NICA continues to monitor its actuarial position and investment structure closely.

Other Reports

Report of Independent Auditors on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Board of Directors
Florida Birth-Related Neurological Injury Compensation Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Birth-Related Neurological Injury Compensation Association (NICA), which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NICA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NICA's internal control. Accordingly, we do not express an opinion on the effectiveness of NICA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NICA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
October 24, 2022

Other Financial Information

Florida Birth-Related Neurological Injury Compensation Association

Schedule of General and Administrative Expenses
Budget to Actual

Year ended June 30, 2022

	Budget	Actual	Variance - Positive (Negative)
Accounting services	\$ 84,000	\$ 86,456	\$ (2,456)
Bank charges	4,100	386	3,714
Dues and subscriptions	5,185	4,294	891
Insurance	302,000	287,319	14,681
Legal - general attorney fees and expenses	511,000	827,649	(316,649)
Legal - other expenses	68,800	73,848	(5,048)
Miscellaneous	800	22	778
Office supplies	8,850	8,069	781
Outreach	62,750	59,113	3,637
Payroll taxes	90,650	96,409	(5,759)
Postage	64,000	82,525	(18,525)
Printing services	47,400	43,452	3,948
Professional fees	726,055	1,089,177	(363,122)
Repairs and maintenance	111,250	130,951	(19,701)
Rent	111,720	111,999	(279)
Retirement	150,000	147,653	2,347
Salaries	1,225,000	1,122,544	102,456
Taxes and licenses	1,145	873	272
Telephone	18,900	23,585	(4,685)
Training and education	3,000	1,385	1,615
Travel	13,700	1,141	12,559
Utilities	11,500	14,246	(2,746)
	<u>\$ 3,621,805</u>	<u>\$ 4,213,096</u>	<u>\$ (591,291)</u>

See report of independent auditors.