PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Southern Coastal Fund

REGIONAL EMPLOYEE BENEFITS FUND

Report on Audit of Financial Statements

For the Years Ended December 31, 2025 And 2024

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Southern Coastal Regional Employee Benefits Fund

Financial Statements and Supplementary Information
For the Years Ended December 31, 2025 and 2024

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Board of Fund Commissioners
Southern Coastal Regional Employee Benefits Fund
9 Campus Drive, Suite 216
Parsippany, New Jersey

Opinion

We have audited the accompanying financial statements of the Southern Coastal Regional Employee Benefits Fund (the "Fund") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund as of December 31, 2025, and the respective changes in financial position and cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund 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.

Report on Prior Year Financial Statements

The financial statements of the Fund as of December 31, 2024, were audited by Bowman & Company LLP, whose owners became partners with PKF O'Connor Davies, LLP, and whose report dated June 20, 2025, expressed an unmodified opinion on those financial statements.

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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 the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 auditing standards generally accepted in the United States of America 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 financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* and the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements and are presented for purposes of additional analysis. The accompanying supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2026, on our consideration of the Fund'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 the Fund'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 the Fund's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Voorhees, New Jersey
June 17, 2026

Report 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

Independent Auditors' Report

Board of Commissioners
Southern Coastal Regional Employee Benefits Fund
9 Campus Drive, Suite 216
Parsippany, New Jersey

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, and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Southern Coastal Regional Employee Benefits Fund (the "Fund"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated June 17, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund'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 the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 Fund'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 over financial reporting that we consider material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of 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* and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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 Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Voorhees, New Jersey
June 17, 2026

This section of the annual financial report of the Southern Coastal Regional Employee Benefits Fund (the "Fund") presents a discussion and analysis of the financial performance of the Fund for the years ended December 31, 2025, 2024, and 2023. Please read it in conjunction with the basic financial statements and notes that follow this section.

Overview of Basic Financial Statements

The Fund's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The primary purpose of the Fund is to provide health coverage for school districts, municipalities, and other governmental entities that are members of the Fund. The Fund maintains separate enterprise funds by incurred years and line of coverage. The basic financial statements are presented on an accrual basis of accounting. The three basic financial statements presented are as follows:

Comparative Statements of Net Position – These statements present information reflecting the Fund's assets, liabilities and reserves, and net position. Net position represents the amount of total assets less total liabilities and reserves.

Comparative Statements of Revenues, Expenses, and Changes in Net Position – These statements reflect the Fund's operating revenues and expenses, as well as non-operating items during the reporting period. The change in net position for an enterprise fund is similar to net profit or loss for any other insurance company.

Comparative Statements of Cash Flows – The comparative statements of cash flows are presented on the direct method of reporting, which reflects cash flows from operating, investing, and noncapital financing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the reporting period.

Financial Highlights

The following tables summarize the net position and results of operations for the Fund as of and for the years ended December 31, 2025, 2024, and 2023.

Summary Statements of Net Position				2024 to 2025 Change	
	2025	2024	2023	Change $	Change %
Assets:					
Cash and Cash Equivalents	$ 15,989,793	$ 24,253,069	$ 16,525,546	$ (8,263,276)	-34.1%
Investments	-	-	5,500,000	-	0.0%
Contributions and Other Receivables	9,897,132	3,168,188	4,354,226	6,728,944	212.4%
Excess Insurance Receivable	1,443,607	3,183,795	4,331,956	(1,740,188)	-54.7%
Other Assets	-	53,653	37,467	(53,653)	-100.0%
Investment in Joint Venture	-	1,415,747	1,218,362	(1,415,747)	-100.0%
Total Assets	27,330,532	32,074,452	31,967,557	(4,743,920)	-14.8%
Liabilities, Reserves & Net Position					
Liabilities:					
Accrued Expenses	1,340,691	1,282,882	1,079,248	57,809	4.5%
Joint Venture Deficit Liability	62,801	-	-	62,801	100.0%
Return of Surplus Payable	12,119,345	12,020,745	12,579,849	98,600	0.8%
Loss Reserves	14,013,181	14,762,045	13,756,308	(748,864)	-5.1%
Total Liabilities & Reserves	27,536,018	28,065,672	27,415,405	(529,654)	-1.9%
Net Position - Unrestricted (Deficit)	$ (205,486)	$ 4,008,780	$ 4,552,152	$ (4,214,266)	-105.1%

Summary Statements of Revenues, Expenses, and Changes in Net Position					
				2024 to 2025 Change	
	2025	2024	2023	Change $	Change %
Operating Revenues:					
Regular and Employee Contributions	$164,985,836	$151,431,683	$140,321,515	$13,554,153	9.0%
Operating Expenses:					
Provision for Claims and Claims Adjustment Expenses	150,425,146	135,538,018	133,226,129	14,887,128	11.0%
Insurance Premiums	8,134,190	7,023,305	6,021,191	1,110,885	15.8%
Administrative and Operating	11,114,257	10,571,169	10,318,632	543,088	5.1%
Total Operating Expenses	169,673,593	153,132,492	149,565,952	16,541,101	10.8%
Operating Loss	(4,687,757)	(1,700,809)	(9,244,437)	(2,986,948)	-175.6%
Investment Income	666,754	960,052	858,588	(293,298)	-30.6%
Dividend Income	1,285,285	-	500,142	1,285,285	100.0%
Change in Investment In Joint Venture	(1,478,548)	197,385	2,634,109	(1,675,933)	-849.1%
Deficit of Revenues	(4,214,266)	(543,372)	(5,251,598)	(3,670,894)	-675.6%
Return of Surplus	-	-	-	-	0.0%
Change in Net Position	$ (4,214,266)	$ (543,372)	$ (5,251,598)	$ (3,670,894)	-675.6%

Financial Highlights Continued

On July 31, 2015, the Southern Coastal Regional Employee Benefits Fund (the "Fund") was formed pursuant to N.J.S.A. 40A:10-36 et. seq. and N.J.A.C. 11:15-3 when the Fund received approval from the New Jersey Department of Banking and Insurance and commenced operations on January 1, 2016. The Fund is operated in accordance with regulations of the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Fund was established for the purpose of containing medical costs.

The Fund’s total assets as of December 31, 2025 were $27,330,532 and total liabilities and reserves were $27,536,018, resulting in an unrestricted net deficit of $205,486. Total assets decreased from the prior year primarily due to a reduction in cash and cash equivalents as claims payments and operating expenditures exceeded current year cash collections. In addition, the Fund’s share of net position in the Municipal Reinsurance Health Insurance Fund (“MRHIF”) declined from a positive balance of $1,415,747 at December 31, 2024 to a deficit balance of $62,801 at December 31, 2025. These decreases were partially offset by increases in contributions receivable, excess insurance receivable, and prescription rebate receivables resulting from the timing of year-end funding requirements, reinsurance recoveries, and rebate settlements.

The Fund’s operating revenues were $164,985,836 during the year. Claims expenses represented $150,425,146 in health benefit costs. Total insurance premiums of $8,134,190 were composed of $5,790,798 incurred from the Municipal Reinsurance Health Insurance Fund (“MRHIF”), $804,557 incurred from Medical Advantage premiums, and $1,856,533 incurred from State Health Benefits Program surcharge premiums. During the reporting period, administrative and operating costs were $11,114,257. The Fund did not distribute surplus back to its members during the year.

The Fund received a dividend distribution from MRHIF during the year in the amount of $1,285,285.

Investment income was $666,754 during 2025. The increase from the prior year was primarily attributable to continued favorable interest rates and earnings generated from the Fund’s invested cash balances.

The Fund continues to be affected by inflation in healthcare costs and adverse claims experience within certain coverage lines. These trends contributed to operating losses during 2025. Management continues to monitor claims trends, cash flows, reinsurance arrangements, and funding requirements to maintain the Fund’s long-term financial stability. In addition, the Fund maintains substantial liquidity and surplus within closed fund years and retains the statutory authority to adjust member contribution levels as necessary.

Economic Conditions

The Fund continues to be affected by inflation of health benefit costs. The Fund’s strategy is to continue to attempt to moderate such increases by leveraging purchasing power with other Funds, using one of the largest and most effective medical networks in the nation, and assisting members with plan design and labor negotiation efforts.

Contacting the Fund's Management

This financial report is designed to provide the Southern Coastal Regional Employee Benefits Fund members and the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey with a general overview of the Fund’s finances and to demonstrate the Fund’s accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Executive Director of the Southern Coastal Regional Employee Benefits Fund’s office located at 9 Campus Drive, Suite 216, Parsippany, New Jersey 07054 or by phone at (201) 881-7632.

Exhibit A-1

Southern Coastal Regional Employee Benefits Fund
Comparative Statements of Net Position
As of December 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and Cash Equivalents	$ 15,989,793	$ 24,253,069
Contributions Receivable	9,008,079	2,154,444
COVID Grant Receivable	-	119,171
Accrued Interest Receivable	40	47
Excess Insurance Receivable	1,443,607	3,183,795
Prescription Rebates Receivable	889,013	802,353
Wellness Reimbursement Receivable	-	92,173
Investment in Joint Venture	-	1,415,747
Prepaid Expense	-	53,653
Total Assets	27,330,532	32,074,452
LIABILITIES AND RESERVES		
Liabilities:		
Accrued Insurance Premiums	986,612	945,287
Accrued Expenses	339,079	281,436
Due to Member	15,000	56,159
Joint Venture Deficit Liability	62,801	-
Surplus Return Reserve	12,119,345	12,020,745
Total Liabilities	13,522,837	13,303,627
Reserves:		
Actuarial Liability	14,013,181	14,762,045
Total Liabilities and Reserves	27,536,018	28,065,672
NET POSITION		
Unrestricted (Deficit)	$ (205,486)	$ 4,008,780

See Notes to Financial Statements.

Exhibit A-2

Southern Coastal Regional Employee Benefits Fund
Comparative Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2025 and 2024

	2025	2024
OPERATING REVENUES:		
Regular Contributions	$ 164,401,983	$ 150,880,795
Employee Contributions	583,853	550,888
Total Operating Revenues	164,985,836	151,431,683
OPERATING EXPENSES:		
Provision for Claims and Claims Adjustment Expenses	150,425,146	135,538,018
Reinsurance	6,595,917	5,397,325
State Health Benefits Program Surcharge Premiums	1,538,273	1,625,980
Administration	11,114,257	10,571,169
Total Operating Expenses	169,673,593	153,132,492
OPERATING LOSS	(4,687,757)	(1,700,809)
NON-OPERATING REVENUE (EXPENSES):		
Investment Income	666,754	960,052
Dividend Income	1,285,285	-
Equity in Earnings (Losses) of Joint Venture	(1,478,548)	197,385
Total Non-Operating Revenue (Expenses)	473,491	1,157,437
Change in Net Position	(4,214,266)	(543,372)
NET POSITION		
Net Position, Beginning	4,008,780	4,552,152
Net Position (Deficit), Ending	$ (205,486)	$ 4,008,780

See Notes to Financial Statements.

Southern Coastal Regional Employee Benefits Fund
Comparative Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Regular Contributions	$ 158,091,042	$ 152,869,611
Payments for Health Benefits Claims	(149,401,311)	(133,487,684)
Payments for Insurance Premiums	(8,092,865)	(6,963,775)
Payments to Professionals and Administrative Expenses	(10,910,788)	(10,591,583)
Net Cash Flows from Operating Activities	(10,313,922)	1,826,569
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption of Investments	-	5,500,000
Investment Income	1,952,046	960,058
Net Cash Flows from Investing Activities	1,952,046	6,460,058
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY:		
Return of Surplus	98,600	(559,104)
Net (Decrease) Increase in Cash And Cash Equivalents	(8,263,276)	7,727,523
CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents, Beginning	24,253,069	16,525,546
Cash and Cash Equivalents, Ending	$ 15,989,793	$ 24,253,069
Reconciliation of Operating Loss to		
Cash Flows from Operating Activities:		
Operating Loss	$ (4,687,757)	$ (1,700,809)
Adjustments to Reconcile Operating Loss to Net		
Cash from Operating Activities:		
Changes In Assets and Liabilities:		
Decrease (Increase) in Assets:		
Contributions Receivable	(6,853,635)	1,381,769
COVID Grant Receivable	119,171	(119,171)
Excess Insurance Receivable	1,740,188	1,148,161
Prescription Rebates Receivable	(86,660)	15,607
Wellness Reimbursement Receivable	92,173	(92,173)
Prepaid Expense	53,653	(16,186)
Increase (Decrease) in Liabilities:		
Accrued Excess Insurance Premiums	41,325	59,530
Accrued Expenses	57,643	87,945
Due to Member	(41,159)	56,159
Actuarial Liability	(748,864)	1,005,737
Total Adjustments	(5,626,165)	3,527,378
Net Cash Flows from Operating Activities	$ (10,313,922)	$ 1,826,569
Supplemental Disclosure - Noncash Activity:		
Change In Investment in Joint Venture Not (Decreasing) Increasing Cash	$ (1,478,548)	$ 197,385

See Notes to Financial Statements.

Note 1: Organization and Description of the Fund

On July 31, 2015, the Southern Coastal Regional Employee Benefits Fund (the "Fund") was formed pursuant to N.J.S.A. 40A:10-36 et. seq. and N.J.A.C. 11:15-3 when the Fund received a certificate of authority from the New Jersey Department of Banking and Insurance and commenced operations on January 1, 2016. The Fund is operated in accordance with regulations of the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Fund was established for the purpose of containing medical costs.

During the Fund's initial year, Southern New Jersey Coastal area members of the Southern New Jersey Regional Employee Benefits Fund could become a part of the Fund's initial application. Thereafter, the Executive Committee of the Fund may approve subsequent membership by a two-thirds vote of the full-authorized membership or may terminate any member by a two-thirds vote, after proper notice has been given.

All members' assessments, including a reserve for contingencies, are based on annual actuarial assumptions determined by the Fund's Actuary and monthly and quarterly adjustments determined by the Fund's Actuary and Program Manager are based on actual loss experience. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

The Fund offers the following coverages to its members:

Medical
Dental
Prescription

The Fund provides coverage on a self-insured basis and secures reinsurance in a form and an amount from an insurance company acceptable to the Commissioner of Insurance.

During 2025, the following boards of education, municipalities and other governmental entities were members of the Fund:

Absecon City
Alloway Township BOE
Bridgeton BOE
Brigantine City
Buena Borough
Buena Regional BOE
Cumberland County
Cumberland County Charter School Network
Cumberland County Improvement Authority
Cumberland County Technical Education Center
Cumberland Regional BOE
Downe Township BOE
Egg Harbor Township
Hopewell Township BOE
Lawrence Township BOE
Longport Borough
Lower Cape May Regional BOE
Lower Township BOE
Margate City
Millville BOE
Ocean City BOE
Penns Grove Borough
Penns Grove-Carney's Point BOE
Pittsgrove Township
Salem County
Upper Deerfield BOE
Upper Township BOE
Vineland BOE
Vineland Housing Authority
Waterford Township BOE
West Cape May BOE
Woodstown Borough

Note 1: Organization and Description of the Fund (Cont'd)

The limits of liability under the various coverages during 2025 were as follows:

HEALTH INSURANCE COVERAGE

Medical and Prescription:

Limits	Description
I. Fund's Self-Insured Retained Limit of Liability (S.I.R.)	
A. $450,000	Specific limit - applies per enrolled participant per reinsurance policy year.
II. Excess Insurers' Limit of Liability	
A. Unlimited	Reimbursement in excess of the Fund's specific S.I.R.

Dental Aggregate Retention: None – Self-insured with risk retained by the Fund.

Medical, Prescription, and Prescription coverage without Medical coverage retentions will vary with census and can also vary depending upon the allocation of claims.

Health Insurance Coverage Notes:

1. "Health Insurance" means health insurance as defined pursuant to N.J.S.A. 17B:17-4 or service benefits as provided by health service corporations, hospital service corporations or medical service corporations authorized to do business in the State.
2. "Incurred Claims" means claims, which occur during a Fund year, including claims paid during a later period. The exact definition of "Incurred Claims" or any similar term is the definition used in the excess insurance policy purchased by the Fund.
3. The Fund's reinsurance agreement during 2025 was with the Municipal Reinsurance Health Insurance Fund ("MRHIF"). The agreement is on a 12/24 month exposure period covering claims incurred during the twelve-month policy period January 1, 2025 to December 31, 2025.
4. Open enrollment for participating employees is offered during the months of May and November.
5. Medical coverage consists of each participating governmental entity member's individual medical benefits plan, the HMO option on a group basis or the PPO option in accordance with a plan on file with the Department of Banking and Insurance.
6. Medicare provides secondary coverage for eligible active employees and primary coverage for eligible Medicare participants.

Note 2: Summary of Significant Accounting Policies

The following is a summary of the more significant policies followed by the Southern Coastal Regional Employee Benefits Fund:

Component Unit

In evaluating how to define the Fund for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board ("GASB") Statements No. 14, *The Financial Reporting Entity,* as amended.

Note 2: Summary of Significant Accounting Policies (Cont'd)

Component Unit (cont'd)

Blended component units, although legally separate entities, are in-substance part of the primary entity's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary entity.

The basic, but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. The application of this criterion involves considering whether the activity benefits the primary entity.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the primary entity is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary entity could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Fund has no component units and is not includable in any other reporting entity.

Basis of Presentation, Fund Accounting

The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Member Assessments are recognized as revenue at the time of assessment.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. Treasury and Agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

Note 2: Summary of Significant Accounting Policies (Cont'd)

Cash, Cash Equivalents, and Investments

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments, which may be purchased by New Jersey governmental units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of the school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured.

All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Fund has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the GUDPA. In lieu of designating a depository, the cash management plan may provide that the local unit may make deposits with the State of New Jersey Cash Management Fund.

Interest Income Allocation

Interest income was allocated based on the ratio of monthly average invested cash balances by line of coverage to the total amount invested applied to interest income credited for the month.

Revenue Recognition

Members were assessed monthly contributions based on a pro rata amount of the current estimates of projected losses, administrative expenses, the cost of reinsurance, and contingency fund needs for the year. Pass-through costs regarding HMO premiums were billed directly to the members who incurred the charges.

Additional Assessments and Dividend Credits (Refunds)

Members are subject to additional assessments if the regular contributions (premiums) collected in a year are not sufficient to cover all claims and expenses. Should premiums collected exceed claims and expenses, members may accrue a dividend credit subject to the discretion of the Executive Committee of the Fund and approval by the Department of Banking and Insurance.

Note 2: Summary of Significant Accounting Policies (Cont'd)

Additional Assessments and Dividend Credits (Refunds) (cont'd)

Dividends approved by the Executive Committee are presented in the financial statements as reserved Net Position pending State approval. Each member shares in these charges and credits based upon its participation in the various coverages provided. Refunds shall be declared not later than 180 days after the end of a year unless otherwise extended by the Commissioner of the Department of Banking and Insurance.

Claims Funding

The Fund is on a claim payment reimbursement basis with AETNA, AmeriHealth, Evernorth Health, Inc. (Express Scripts, Inc.), and Delta Dental (the third-party administrators). During the course of each month, the third-party administrators pay respective plan benefit obligations, including medical services and capitation and incentives, prescription and dental. Upon payment of plan benefit obligations, requests for funding are transmitted to the Fund Treasurer who then wire transfers an amount equal to the paid obligations to the respective third-party administrator.

Actuarial Liability

In order to recognize unpaid losses, a reserve is calculated by the Fund's actuary.

Liabilities for unpaid losses represent the estimated liability on claims reported to the Fund plus reserves for claims incurred but not yet reported. The liabilities for claims are evaluated using Fund and industry data, case basis evaluations and other statistical analyses, and represent estimates of the ultimate net cost of all losses incurred through December 31, 2025 and 2024.

These liabilities are subject to variability between estimated ultimate losses determined as described and the actual experience as it emerges, including the impact of future changes in claim severity, frequency, and other factors. Management believes that the liabilities for unpaid claims are adequate. The estimates are continually reviewed and as adjustments to these liabilities become necessary, such adjustments are reflected in current operations.

Reinsurance

The Fund seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to the MRHIF under excess coverage insurance contracts. Although the MRHIF is liable to the Fund for the amounts reinsured, the Fund remains liable to its insureds for the full amount of the policies written whether or not the MRHIF meets its obligations. Reinsurance recoveries exceeded ceded losses at December 31, 2025; accordingly, no net ceded losses were reported. Net ceded losses at December 31, 2024 were $3,882,371.

Administrative Expenses

Administrative expenses are comprised mainly of compensation for services rendered by servicing organizations and appointed officials pursuant to written fee guidelines submitted and approved by a majority of the Trustees/Executive Committee. In instances where invoices have not been submitted for specific periods, the maximum allowable contract amount has been accrued.

Net Position

In accordance with the provisions of the GASB 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments”, the Fund has classified its net position as unrestricted (deficit). This component of net position consists of net positions that do not meet the definition of "restricted" or “net investment in capital assets” and includes net position that may be allocated for specific purposes by the Trustees.

Note 2: Summary of Significant Accounting Policies (Cont'd)

Income Taxes

The Fund is exempt from income taxes under Section 115 of the Internal Revenue Code.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from member contributions. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities and positive changes in the Fund's investment in joint ventures.

Operating expenses include expenses associated with the fund operations, including claims expense, insurance, and administrative expenses. Non-operating expenses include negative changes in the Fund's investment in joint ventures.

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3: Cash and Cash Equivalents

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Fund’s deposits might not be recovered. Although the Fund does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the GUDPA. Under the Act, the first $250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (“FDIC”). Public funds owned by the Fund in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fund relative to the happening of a future condition. If the Fund had any such funds, they would be shown as Uninsured and Uncollateralized.

Of the Fund’s bank balance of $15,419,635 at December 31, 2025, $513,401 was insured while $14,906,234 was collateralized under GUDPA.

Of the Fund’s bank balance of $25,679,791 at December 31, 2024, $762,881 was insured while $24,916,910 was collateralized under GUDPA.

New Jersey Cash Management Fund

During the year, the Fund participated in the New Jersey Cash Management Fund. The Cash Management Fund is governed by regulations of the State Investment Council, who prescribe standards designed to ensure the quality of investments in order to minimize risk to the Fund’s participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At December 31, 2025 and 2024, the Fund’s deposits with the New Jersey Cash Management Fund were $589,464 and $565,430, respectively.

Note 4: State Health Benefits Plan Surcharge

Chapter 8, Public Law 1993, provides for insurers of school districts that do not participate in the State Health Benefits Plan (SHBP) to pay an annual surcharge to the program. The surcharge is determined by the State Treasurer and is based on a percentage of the total claims paid for the coverage of employees of the nonparticipating governments. The surcharge is to compensate the SHBP for the excess cost of the health coverage of the government's eligible retirees (25 or more years of credited service in a State-administered pension fund or retired on disability with fewer years of service), who are covered in the SHBP.

Every November 1st, a survey is sent to each nonparticipating government requesting the name and address of their health benefits insurance carrier. A response is required by the end of November. The SHBP sends a surcharge payment request form on December 1st to the insurance carrier. The insurance carrier will complete the surcharge form and forward the form and payment to the SHBP by December 31st. The surcharge form includes information such as adjustments from prior year payment, total claims paid, the surcharge rate and the amount to be remitted. As of December 31, 2025 and 2024, the Fund recorded insurance expense of $1,538,273 and $1,625,980 for the State Health Benefits Program.

Note 5: Changes in Unpaid Claims Liabilities

As discussed in Note 2, the Fund establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related allocated claim adjustment expenses.

The following represents changes in those aggregate undiscounted reported and unreported liabilities for the years ended December 31, 2025 and 2024 and for all open fund years net of excess insurance recoveries:

	2025	2024
Total unpaid claims and claim adjustment expenses all fund years - Beginning	$14,762,045	$13,756,308
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fund year	150,748,590	137,677,618
Changes in provision for insured events of prior fund years	(21,236)	(2,139,600)
Total incurred claims and claim adjustment expenses all fund years	150,727,354	135,538,018
Payments:		
Claims and claim adjustment expenses:		
Attributable to insured events of current fund year	139,206,284	125,570,896
Attributable to insured events of prior fund years	12,269,934	8,961,385
Total payments all fund periods	151,476,218	134,532,281
Total unpaid claims and claim adjustment expenses all fund years - Ending	$14,013,181	$14,762,045

Note 6: Transfer Of 2023 Fund Period Surplus

The Executive Committee approved the closing of the 2023 Fund year and the transfer of the 2023 Fund year balances as of June 30, 2025 resulting in a transfer of surplus in the amount of $3,097,158 to the closed years account.

Note 7: Municipal Reinsurance Health Insurance Fund

Effective January 1, 2016, the Fund became a member of the Municipal Reinsurance Health Insurance Fund ("MRHIF"). The MRHIF is a risk-sharing public entity risk pool that is a self-administered group of joint insurance funds established for the purpose of providing excess health insurance coverage to participating members. Each member appoints an official to represent their respective joint insurance fund for the purpose of creating a governing body from which officers for the MRHIF are elected.

As a member of the MRHIF, the Fund could be subject to supplemental assessments in the event of deficiencies. If the assets of the MRHIF were to be exhausted, members would become jointly and severely liable for the MRHIF's liabilities.

The MRHIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment relates to the total assessment of the membership for that fund year.

Equity Interest

As of December 31, 2025 and 2024, the Fund's share of the net position of MRHIF was a deficit of $62,801 and a surplus of $1,415,747, respectively.

Selected Financial Information

Selected summarized financial information for the MRHIF as of December 31, 2025 and 2024 were as follows:

	2025	2024
Total Assets	$ 25,481,617	$ 31,857,037
Total Liabilities	$ 25,750,322	$ 24,039,501
Net Position (Deficit)	$ (268,705)	$ 7,817,536
Total Revenues	$ 35,274,577	$ 29,334,338
Total Expenses	$ 36,379,552	$ 28,112,403
Change in Net Position	$ (8,086,241)	$ 1,221,935
Return of Surplus	$ 6,981,266	$ -

Financial statements for the MRHIF are available at the Office of the Fund's Executive Director:

PERMA
9 Campus Drive, Suite 216
Parsippany, NJ 07054
201-881-7632

Note 8: Related Party Transactions

As disclosed in Note 7, the Fund is a member of the MRHIF and accordingly has an ownership interest in MRHIF. Excess insurance premiums paid to MRHIF for the years ended December 31, 2025 and 2024 were $5,790,798 and $4,885,859, respectively. Dividends paid from MRHIF to the Fund for the years ended December 31, 2025 and 2024 were $1,285,285 and $0, respectively.

Note 9: Subsequent Events

The Fund has evaluated subsequent events occurring after December 31, 2025 through June 17, 2026, which is the date the financial statements were available to be issued.

Subsequent to year-end, the following entities have joined the Fund:

Buena Borough MUA (effective January 1, 2026)
City of Bridgeton (Med Adv Only) (effective January 1, 2026)
City of Millville (Med Adv Only) (effective January 1, 2026)
City of Vineland (effective January 1, 2026)
Middle Township BOE (effective January 1, 2026)
Mullica Township (effective January 1, 2026)
Northfield BOE (effective January 1, 2026)
Somers Point BOE (effective January 1, 2026)
Galloway Township BOE (effective July 1, 2026)
Hamilton Township BOE (effective July 1, 2026)
Hammonton BOE (effective July 1, 2026)
Township of Middle (effective July 1, 2026)
Weymouth Township BOE (effective July 1, 2026)
Greater Wildwood Tourism Dev. & Improvement Authority (effective August 1, 2026)

Southern Coastal Regional Employee Benefits Fund

Required Supplementary Information
For The Year Ended December 31, 2025

Schedule 1

Southern Coastal Regional Employee Benefits Fund
Required Supplementary Information
Reconciliation of Health Claims Liabilities by Fund
For the Year Ended December 31, 2025

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	Medical	Prescription	Dental	Total
Total unpaid claims and claim adjustment expenses - Beginning of Year	$ 14,274,482	$ 475,272	$ 12,291	$ 14,762,045
Incurred claims and claims adjustment expenses:				
Provision for insured events of current fund year	143,965,618	6,686,709	96,263	150,748,590
Changes in provision for insured events of prior fund years	(10,466)	(6,896)	(3,874)	(21,236)
Total incurred claims and claims adjustment expenses all Fund years	143,955,152	6,679,813	92,389	150,727,354
Payments:				
Claims and claims adjustment expenses (Net of Recoveries):				
Attributable to insured events of current fund year	132,762,982	6,357,068	86,234	139,206,284
Attributable to insured events of prior fund years	11,793,141	468,376	8,417	12,269,934
Total payments all Fund years	144,556,123	6,825,444	94,651	151,476,218
Total unpaid claims and claim adjustment expenses - End of Year	$ 13,673,511	$ 329,641	$ 10,029	$ 14,013,181

Schedule 2

Southern Coastal Regional Employee Benefits Fund
Required Supplementary Information
Ten-Year Claims Development Information
As of December 31, 2025

	Fund Year 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Earned Required Contribution and Investment Revenue:										
Earned	$ 52,968,475	$ 56,869,598	$ 85,071,422	$ 103,254,747	$ 101,295,485	$ 107,372,970	$ 129,753,407	$ 140,565,206	$ 151,981,732	$ 165,268,549
Ceded	3,198,980	3,016,632	4,140,195	4,767,377	4,492,323	4,502,733	5,599,320	6,163,573	6,827,774	8,452,450
	$ 49,769,495	$ 53,852,966	$ 80,931,227	$ 98,487,370	$ 96,803,162	$ 102,870,237	$ 124,154,087	$ 134,401,633	$ 145,153,958	$ 156,816,099
Unallocated Expenses	$ 4,500,464	$ 4,498,659	$ 6,800,392	$ 8,040,411	$ 8,070,531	$ 8,493,344	$ 9,845,708	$ 10,303,502	$ 10,562,422	$ 11,254,080
Estimated Claims and Expenses, End of Policy Year:										
Incurred	$ 47,994,655	$ 44,303,520	$ 68,728,685	$ 81,466,336	$ 81,042,645	$ 100,715,964	$ 116,686,653	$ 133,619,135	$ 140,332,941	$ 153,219,465
Ceded	2,893,722	391,209	1,144,111	297,519	1,530,558	3,107,233	717,142	4,579,009	2,655,323	2,470,875
Net Incurred	45,100,933	43,912,311	67,584,574	81,168,817	79,512,087	97,608,731	115,969,511	129,040,126	137,677,618	150,748,590
Paid (Cumulative) as of:										
End of Policy Year	39,720,933	39,282,311	59,365,574	73,239,054	71,482,087	85,584,731	104,257,491	119,862,827	125,570,896	139,206,284
One Year Later	44,664,135	43,476,010	69,896,937	80,320,077	80,836,370	96,747,476	121,273,970	134,231,557	140,981,979	
Two Years Later (A)	44,664,135	43,476,010	69,896,937	80,484,770	81,121,296	97,657,110	121,492,160	134,796,327		
Reestimated Incurred Claims and Expenses:										
End of Policy Year	45,100,933	43,912,311	67,584,574	81,168,817	79,512,087	97,608,731	115,969,511	129,040,126	137,677,618	150,748,590
One Year Later	44,764,135	43,496,010	68,565,931	79,489,281	80,836,370	96,747,476	119,530,808	127,195,289	137,099,605	
Two Years Later (A)	44,764,135	43,496,010	68,595,941	80,484,770	81,121,296	97,657,110	119,236,047	134,796,327		
Increase (Decrease) in Estimated Incurred Claims and Expenses from End of Policy Year	$ (336,798)	$ (416,301)	$ 1,011,367	$ (684,047)	$ 1,609,209	$ 48,379	$ 3,266,536	$ 5,756,201	$ (578,013)	$ -

(A) At the end of the Second Fund Year, the residual Fund Year Surplus or Deficit is transferred to the Closed Fund Year Account. Accordingly, residual data is not available to track activity after the second year.

Southern Coastal Regional Employee Benefits Fund

Supplementary Information
For The Year Ended December 31, 2025

Schedule A

Southern Coastal Regional Employee Benefits Fund
Statement of Net Position (Deficit) - Statutory Basis
As of December 31, 2025

		Fund Years		
	Total	2025	2024	Closed Years
ASSETS				
Cash and Cash Equivalents	$ 15,989,793	$ (652,782)	$ (2,721,716)	$ 19,364,291
Contributions Receivable	9,008,079	8,823,066	185,013	
Accrued Interest Receivable	40			40
Excess Insurance Receivable	1,443,607	1,410,211	28,637	4,759
Prescription Rebates Receivable	889,013	889,013		
Total Assets	27,330,532	10,469,508	(2,508,066)	19,369,090
LIABILITIES AND RESERVES				
Liabilities:				
Accrued Insurance Premiums	986,612	986,612		
Accrued Expenses	339,079	339,079		
Due To Member	15,000	15,000		
Surplus Return Reserve	12,119,345			$ 12,119,345
Total Liabilities	13,460,036	1,340,691	-	12,119,345
Reserves:				
Actuarial Liability	14,013,181	14,013,181		
Total Reserves	14,013,181	14,013,181	-	-
Total Liabilities and Reserves	27,473,217	15,353,872	-	12,119,345
NET POSITION				
Unrestricted (Deficit)	$ (142,685)	$ (4,884,364)	$ (2,508,066)	$ 7,249,745

Schedule B

Southern Coastal Regional Employee Benefits Fund
Statement of Revenues, Expenses, and Changes in Net Position (Deficit) - Statutory Basis
For the Year Ended December 31, 2025

		Fund Years		
	Total	2025	2024	Closed Years
OPERATING REVENUES:				
Regular Contributions	$ 164,401,983	$ 164,401,983		
Employee Contribution	583,853	583,853		
Total Operating Revenues	164,985,836	164,985,836	-	-
OPERATING EXPENSES:				
Provision for Claims and Claims Adjustment Expenses (Recoveries)	150,425,146	150,446,382	$ (578,014)	$ 556,778
Reinsurance	6,595,917	6,595,917		
State Health Benefits Program Surcharge Premiums	1,538,273	1,856,533	(318,260)	
Administration	11,114,257	11,254,081	(99,826)	(39,998)
Total Operating Expenses (Recoveries)	169,673,593	170,152,913	(996,100)	516,780
OPERATING INCOME (LOSS)	(4,687,757)	(5,167,077)	996,100	(516,780)
NON-OPERATING REVENUE:				
Investment Income	666,754	282,713	120,784	263,257
Dividend Income	1,285,285			1,285,285
Total Non-Operating Revenue:	1,952,039	282,713	120,784	1,548,542
Change in Net Position	(2,735,718)	(4,884,364)	1,116,884	1,031,762
NET POSITION				
Net Position (Deficit), Beginning	2,593,033	-	(3,624,950)	6,217,983
Return of Surplus	-	-	-	-
Net Position (Deficit), Ending	$ (142,685)	$ (4,884,364)	$ (2,508,066)	$ 7,249,745

Southern Coastal Regional Employee Benefits Fund
Statement of Cash Flows - Statutory Basis
For the Year Ended December 31, 2025

		Fund Years		
	Total	2025	2024	Closed Years
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts (Refunds) From Regular Contributions	$ 158,091,042	$ 156,177,770	$ 1,948,785	$ (35,513)
Payments (Recoveries) For Health Benefits Claims	(149,401,311)	(138,732,425)	(11,347,097)	678,211
Payments For Insurance Premiums	(8,092,865)	(7,465,838)	(627,027)	
Payments (Recoveries) To Professionals And Supplies	(10,910,788)	(10,915,002)	4,216	(2)
Net Cash Flows from Operating Activities	(10,313,922)	(935,495)	(10,021,123)	642,696
CASH FLOWS FROM INVESTING ACTIVITY:				
Investment Income	1,952,046	282,713	120,784	1,548,549
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY:				
Return of Surplus	98,600			98,600
Net Increase (Decrease) In Cash And Cash Equivalents	(8,263,276)	(652,782)	(9,900,339)	2,289,845
CASH AND CASH EQUIVALENTS				
Cash and Cash Equivalents, Beginning	24,253,069	-	7,178,623	17,074,446
Cash and Cash Equivalents, Ending	$ 15,989,793	$ (652,782)	$ (2,721,716)	$ 19,364,291

	Total	2025	2024	Closed Years
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:				
Operating Income (Loss)	$ (4,687,757)	$ (5,167,077)	$ 996,100	$ (516,780)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:				
Changes In Assets And Liabilities:				
Decrease (Increase) In Assets:				
Contributions Receivable	(6,853,635)	(8,823,066)	1,969,431	
COVID Grant Receivable	119,171			119,171
Excess Insurance Receivable	1,740,188	(1,410,211)	2,034,581	1,115,818
Prescription Rebates Receivable	(86,660)	(889,013)	802,353	
Wellness Reimbursement Receivable	92,173		92,173	
Prepaid Expense	53,653		53,653	
Increase (Decrease) In Liabilities:				
Accrued Excess Insurance Premiums	41,325	986,612	(945,287)	
Accrued Expenses	57,643	339,079	(241,436)	(40,000)
Due To Member	(41,159)	15,000	(20,646)	(35,513)
Actuarial Liability	(748,864)	14,013,181	(14,762,045)	
Total Adjustments	(5,626,165)	4,231,582	(11,017,223)	1,159,476
Net Cash from Operating Activities	$ (10,313,922)	$ (935,495)	$ (10,021,123)	$ 642,696

Note 1: **Relationship with Basic Financial Statements**

The information in the Southern Coastal Regional Employee Benefits Fund (the "Fund")'s basic financial statements, Exhibits A-1 through A-3, differ from the accompanying supplementary schedules required by the Division of Banking and Insurance. The supplementary schedules do not reflect the Fund's Investment in Joint Venture as of and for the year ended December 31, 2025:

Total Liabilities – Statement of Net Position	$ 13,522,837
Less Joint Venture Deficit Liability	(62,801)
Total Liabilities – Statutory Basis	$ 13,460,036
Net Position – Statement of Net Position	$ (205,486)
Add Joint Venture Deficit Liability	62,801
Net Position – Statutory Basis	$ (142,685)
Change in Net Position - Statement of Revenues, Expenses and Changes in Net Position	$ (4,214,266)
Add Equity in Losses of Joint Venture	1,478,548
Change in Net Position – Statutory Basis	$ (2,735,718)

Southern Coastal Regional Employee Benefits Fund
Supplementary Information
Statement of Fund Year 2025 Account Operating Results Analysis - Statutory Basis
For the Year Ended December 31, 2025

	Medical*	Medical Adv	Dental	Prescription	Vision	Reinsurance	Contingency	Administrative	Total
INCOME:									
Regular Contributions	$ 139,994,805		$ 78,818	$ 3,587,212	$ 17,819	$ 5,706,051	$ 1,604,020	$ 13,413,258	$ 164,401,983
Employee Contribution	583,853								583,853
Investment Income	230,705		41		366	385	21,378	29,838	282,713
Total Income	140,809,363	-	78,859	3,587,212	18,185	5,706,436	1,625,398	13,443,096	165,268,549
INCURRED LIABILITIES:									
Claims Paid (Net of Refunds)	132,762,982		86,234	6,054,860					138,904,076
Excess Insurance Recoveries	(2,470,875)								(2,470,875)
Actuarial Liability (Net of Recoverables)	13,673,511		10,029	329,641					14,013,181
Insurance Premiums	1,856,533	$ 804,557	562			5,790,798			8,452,450
Administrative Expenses								11,254,081	11,254,081
Total Liabilities	145,822,151	804,557	96,825	6,384,501	-	5,790,798	-	11,254,081	170,152,913
Net Position (Deficit) Before Return of Surplus	(5,012,788)	(804,557)	(17,966)	(2,797,289)	18,185	(84,362)	1,625,398	2,189,015	(4,884,364)
Return of Surplus									-
NET POSITION (DEFICIT)	$ (5,012,788)	$ (804,557)	$ (17,966)	$ (2,797,289)	$ 18,185	$ (84,362)	$ 1,625,398	$ 2,189,015	$ (4,884,364)

*Includes Retirees And COBRA

Southern Coastal Regional Employee Benefits Fund
Supplementary Information
Statement of Fund Year 2024 Account Operating Results Analysis - Statutory Basis
For the Year Ended December 31, 2025

	Medical*	Medical Adv	Dental	Prescription	Vision	Reinsurance	Contingency	Administrative	Total
INCOME:									
Regular Contributions	$ 129,049,627		$ 113,022	$ 2,912,178	$ 40,443	$ 4,806,095	$ 996,398	$ 12,998,556	$ 150,916,319
Employee Contribution	550,888								550,888
Investment Income	364,861		243		1,963	321	48,261	98,876	514,525
Total Income	129,965,376	-	113,265	2,912,178	42,406	4,806,416	1,044,659	13,097,432	151,981,732
INCURRED LIABILITIES:									
Claims Paid (Net of Refunds)	136,462,524		113,553	4,405,902					140,981,979
Excess Insurance Recoveries	(3,882,374)								(3,882,374)
Insurance Premiums	1,430,449	$ 511,166	300			4,885,859			6,827,774
Administrative Expenses								10,562,419	10,562,419
Total Liabilities	134,010,599	511,166	113,853	4,405,902	-	4,885,859	-	10,562,419	154,489,798
Net Position (Deficit) Before Return of Surplus	(4,045,223)	(511,166)	(588)	(1,493,724)	42,406	(79,443)	1,044,659	2,535,013	(2,508,066)
Return of Surplus									-
NET POSITION (DEFICIT)	$ (4,045,223)	$ (511,166)	$ (588)	$ (1,493,724)	$ 42,406	$ (79,443)	$ 1,044,659	$ 2,535,013	$ (2,508,066)

*Includes Retirees And COBRA

Southern Coastal Regional Employee Benefits Fund
Supplementary Information
Schedule of Fund Year 2025 Expense Analysis - Statutory Basis
For the Year Ended December 31, 2025

	Paid	Accrued Expenses	Total
ADMINISTRATIVE EXPENSES:			
Executive Director	$ 1,685,392		$ 1,685,392
Program Manager	3,208,855		3,208,855
Broker Fee	2,500,308		2,500,308
Third Party Administrators:			
Medical	2,478,729	$ 165,909	2,644,638
Dental	5,955		5,955
Guardian Nurses	709,071		709,071
Actuary	12,750		12,750
Attorney	15,469	11,061	26,530
Auditor		21,000	21,000
Treasurer	20,672		20,672
Postage	1,035	347	1,382
Plan Documents	12,500		12,500
Qualified Purchasing Agent	2,583		2,583
Meeting Expense	12,937		12,937
Patient Centered Outcome Research Fee	55,662		55,662
Retiree First	39,000		39,000
Miscellaneous Expense	19,123	1,580	20,703
Wellness Program (Net of Reimbursement)	134,961	139,182	274,143
Total Administrative Expenses	$ 10,915,002	$ 339,079	$ 11,254,081

Southern Coastal Regional Employee Benefits Fund
Supplementary Information
Schedule of Fund Year 2024 Expense Analysis - Statutory Basis
For the Year Ended December 31, 2025

	Paid	Accrued Expenses	Total
ADMINISTRATIVE EXPENSES:			
Executive Director	$ 1,632,669		$ 1,632,669
Program Manager	2,904,226		2,904,226
Broker Fee	2,423,498		2,423,498
Third Party Administrators:			
Medical	2,625,663		2,625,663
Dental	7,535		7,535
Guardian Nurses	688,418		688,418
Actuary	12,500		12,500
Attorney	19,320		19,320
Auditor	21,000		21,000
Treasurer	20,050		20,050
Postage	846		846
Plan Documents	12,500		12,500
Qualified Purchasing Agent	167		167
Meeting Expense	12,311		12,311
Patient Centered Outcome Research Fee	50,689		50,689
Miscellaneous Expense	5,736		5,736
Wellness Program	125,291		125,291
Total Administrative Expenses	$ 10,562,419	$ -	$ 10,562,419

Southern Coastal Regional Employee Benefits Fund
Supplementary Information
Schedule of Cash and Cash Equivalents - Statutory Basis
As of December 31, 2025

Description	Amount
CASH ACCOUNTS	
New Jersey Cash Management Fund	$ 589,464
Ocean First Bank	
Operating Account	5,257,669
Investment Account	13,177
Fulton Bank	
Checking Account	133,489
Investment Account	9,982,593
Wilmington Trust	
Money Market Account	13,401
Total Cash and Cash Equivalents Per Schedule A	
Statement of Net Position - Statutory Basis	$ 15,989,793
TOTAL CASH AND CASH EQUIVALENTS BY FUND YEAR:	
2025	$ (652,782)
2024	(2,721,716)
Closed Years	19,364,291
	$ 15,989,793

Southern Coastal Regional Employee Benefits Fund

Schedule of Findings and Recommendations
For the Year Ended December 31, 2025

Schedule of Findings and Recommendations

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements related to the financial statements for which *Government Auditing Standards* and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, require.

Schedule of Financial Statement Findings

None

Summary Schedule of Prior Year Audit Findings and Recommendations as Prepared By Management

This section identifies the status of prior year audit findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None