

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

BERKSHIRE HEALTH GROUP

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS**

YEARS ENDED JUNE 30, 2024 and 2023



BERKSHIRE HEALTH GROUP

TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2024 and 2023

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 - 2
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	3 - 5
<u>FINANCIAL STATEMENTS:</u>	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Basic Financial Statements	9 - 15



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Berkshire Health Group

Opinion

We have audited the accompanying financial statements of the Berkshire Health Group (the Group), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Group's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Group as of June 30, 2024 and 2023, and the respective changes in financial position, and cash flows thereof 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Group 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 the Group'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 taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is the responsibility of management. Such information is also required by the Governmental Accounting Standards Board, who considers these 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.

Roselli, Clark & Associates
Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts

January 24, 2025

MANAGEMENT DISCUSSION AND ANALYSIS

The management of the Berkshire Health Group (the Group) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the years ended June 30, 2024, and 2023. Please read this discussion and analysis in conjunction with the Group's basic financial statements on the accompanying pages.

Basic Financial Statements

The basic financial statements are prepared using the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when incurred. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, a statement of cash flows and notes to the financial statements.

The statement of net position presents information on the assets and liabilities of the Group, with the difference being reported as net position.

The statement of revenues, expenses, and changes in net position reports the operating and non-operating revenues and expenses of the Group for the fiscal year. The net result of these activities combined with the beginning of the year net position reconciles to the net position at the end of the current fiscal year.

The statement of cash flows reports the changes in cash for the year resulting from operating and investing activities. The net result of the changes in cash for the year, when added to the balance of cash at the beginning of the year, equals cash at the end of the year.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements follow the basic financial statements described above.

Financial Highlights

- Assets exceeded liabilities (net position) by nearly \$13.7 million at the close of the fiscal year. This is down approximately 26.2% from the prior year. Net position at June 30, 2024 represents 35.2% of fiscal year 2024 claims expense. At June 30, 2023 net position represented 55.3% of fiscal year 2023 claims expense.
- For the year ended June 30, 2024, net position decreased by over \$4.8 million or 26.2% compared to a decrease of approximately \$0.8 million or 4% for fiscal year 2023.
- The increase in rates (1%) was not sufficient to support the increase in claims. With costs increasing industry wide as well as pandemic issues essentially in the rear-view mirror causing non-essential claims to continue to rise, the impact was felt by the Group.
- The statement of cash flows identifies the sources and uses of cash activity for the fiscal year and displays a net decrease in cash of approximately \$2.8 million for fiscal year 2024 compared to an increase of approximately \$3.2 million decrease in cash for fiscal year 2023.
- The decrease in total cash and investments was primarily the result of a poor experience year on claims described in a previous bullet offset by positive market conditions that impacted the Groups investments.

Actuarial assumptions are used in projecting annual claims costs for each health plan on a per member/per month basis and a rate, on a plan-by-plan basis, is set to fund the aggregate of the total projected claims and other Group costs.

The Group has adopted a fund balance policy which provides for a target range of unrestricted net position of between 10 – 15% of claims for the Group to maintain for operating purposes. The Group continues to exceed this goal annually.

Investment income on the Group’s investment portfolio, when applied to the operating income (loss), results in the net increase or decrease of the Group’s net position.

In fiscal year 2024 the group had no change in membership.

Condensed Financial Information

A comparative summary of financial information is presented below:

	June 30		Increase/ Decrease	% Change
	2024	2023		
Cash	\$ 4,098,444	\$ 6,881,368	\$ (2,782,924)	-40%
Investments	14,235,226	14,811,553	(576,327)	-4%
Other assets	615,379	1,152,111	(536,732)	-47%
Total assets	18,949,049	22,845,032	(3,895,983)	-17%
Claims incurred but not reported	4,391,383	3,558,955	832,428	23%
Other current liabilities	895,726	774,183	121,543	16%
Total liabilities	5,287,109	4,333,138	953,971	22%
Unrestricted net postion	<u>\$ 13,661,940</u>	<u>\$ 18,511,894</u>	<u>\$ (4,849,954)</u>	-26%
Member assessment	39,630,358	38,972,769	657,589	2%
Claims expense	(38,793,917)	(33,503,437)	(5,290,480)	16%
Claims administration expenses	(1,951,128)	(1,913,198)	(37,930)	2%
Other group expenses	(5,346,480)	(4,960,142)	(386,338)	8%
Operating income (loss)	(6,461,167)	(1,404,008)	(5,057,159)	360%
Investment income (loss) & other	1,611,213	652,797	958,416	147%
Change in net postion	<u>\$ (4,849,954)</u>	<u>\$ (751,211)</u>	<u>\$ (4,098,743)</u>	546%

Economic Factors Affecting the Subsequent Year

The Group is operating in an environment of escalating health care costs. Given this environment the Group is actively participating in ongoing wellness programs to promote healthier lifestyles and ultimately to reduce health claim costs.

The Massachusetts Municipal Health Care Reform Law provides municipal employers with an expedited collective bargaining process to negotiate plan design changes provided the plan design changes do not go

beyond the plan design of the Group Insurance Commission's (GIC) most popular plan. The law also gives joint purchase groups the authority to approve such plan design changes and then requires each participating employer to follow the expedited bargaining process or other approved bargaining process. There were no plan design changes for fiscal year 2024 or 2023.

Prior to June 30, 2024, the Group's Board of Directors set the rate structure for fiscal year 2025 plan participation. The rate structure resulted in a 7% change in the plans premium rates. The rates were set to fund the estimated cost of claims, plus other group expenses and to maintain compliance with its fund balance policy.

Request for information

This financial report is intended to provide an overview of the finances of the Group. Any questions concerning this report, or for additional information, please contact the Group's benefit administrator, Gallagher Benefit Services at 774-321-3573.

BERKSHIRE HEALTH GROUP

**STATEMENT OF NET POSITION
JUNE 30, 2024 AND 2023**

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Current Assets:		
Cash and cash equivalents	\$ 4,098,444	\$ 6,881,368
Investments	14,235,226	14,811,553
Receivables:		
Member accounts	2,527	4,343
Other receivables	-	4,582
Reinsurance claims	561,707	635,256
Total receivables	<u>564,234</u>	<u>644,181</u>
Prepaid expenses	192	433,969
Accrued interest income	50,271	73,790
Capital assets, net of depreciation	<u>682</u>	<u>171</u>
Total assets	<u>\$ 18,949,049</u>	<u>\$ 22,845,032</u>
 <u>LIABILITIES</u> 		
Current Liabilities:		
Accounts payable	\$ 217,175	\$ 56,800
Claims liabilities	4,391,383	3,558,955
Participants' advance contributions	678,551	717,383
Total liabilities	<u>5,287,109</u>	<u>4,333,138</u>
 <u>NET POSITION</u> 		
Unrestricted:		
Medical and dental programs	<u>13,661,940</u>	<u>18,511,894</u>
Total unrestricted/net position	<u>13,661,940</u>	<u>18,511,894</u>
Total liabilities and net position	<u>\$ 18,949,049</u>	<u>\$ 22,845,032</u>

See accompanying notes to financial statements.

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BERKSHIRE HEALTH GROUP

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30, 2024 AND 2023**

	2024	2023
Operating revenues:		
Participants' contributions	\$ 39,630,358	\$ 38,972,769
Total operating revenue	39,630,358	38,972,769
Operating expenses:		
Health claims incurred	\$ 38,793,917	\$ 33,503,437
Claims administration charges	1,951,128	1,913,198
Fixed premiums	3,673,425	3,547,410
Stop loss insurance premiums	1,128,675	865,662
Consulting services	324,707	315,971
Wellness program	149,232	165,006
Other administrative services	70,441	66,093
Total operating expenses	46,091,525	40,376,777
Operating income (loss)	(6,461,167)	(1,404,008)
Nonoperating revenues (expenses):		
Investment income	1,661,294	705,825
Management fees	(50,081)	(53,028)
Total nonoperating revenues (expenses)	1,611,213	652,797
Changes in net position	(4,849,954)	(751,211)
Net position, beginning of year	18,511,894	19,263,105
Net position, end of year	\$ 13,661,940	\$ 18,511,894

See accompanying notes to financial statements.

BERKSHIRE HEALTH GROUP

STATEMENTS OF CASH FLOWS

JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from participants	\$ 39,710,305	\$ 38,430,910
Cash paid to insurance providers and other vendors	<u>(44,703,777)</u>	<u>(40,057,561)</u>
Net cash provided by (used in) operating activities	(4,993,472)	(1,626,651)
Cash flows from investing activities:		
Purchases and sales of investments (net)	2,191,665	4,839,293
Interest income on deposits	<u>18,883</u>	<u>11,437</u>
Net cash provided by (used in) investing activities	<u>2,210,548</u>	<u>4,850,730</u>
Net (increase) in cash	(2,782,924)	3,224,079
Cash, beginning of year	<u>6,881,368</u>	<u>3,657,289</u>
Cash, end of year	<u>\$ 4,098,444</u>	<u>\$ 6,881,368</u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (6,461,167)	\$ (1,404,008)
Changes in operating assets and liabilities:		
Receivables	79,947	(541,859)
Prepays	433,777	191,666
Accounts payable	160,375	16,140
Claims liabilities	832,428	(116,029)
Other liabilities	<u>(38,832)</u>	<u>227,439</u>
Net cash provided by (used in) operating activities	<u>\$ (4,993,472)</u>	<u>\$ (1,626,651)</u>

See accompanying notes to financial statements.

BERKSHIRE HEALTH GROUP

NOTES TO BASIC FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 and 2023

Note 1 – Description of Group

Berkshire Health Group (the Group) is a Massachusetts Municipal Joint Health Insurance Purchase Group formed pursuant to Massachusetts General Laws, Chapter 32B, Section 12. The Group was organized May 10, 1990 and became operational on July 1, 1991. The Group is governed by a Board of Directors (the Board) which is comprised of one representative from each unit. A Treasurer was appointed by the Board to receive member assessments, issue checks, make fund transfers, maintain bank accounts and prepare monthly financial statements. As a governmental entity, the Group is not subject to the provisions of the Employee Retirement Income Security Act of 1974 nor is it subject to federal and state income taxes.

The Group offers health benefits to all eligible employees and retirees of its participating governmental units. Participating governmental units consist of those municipal entities that have signed an agreement of Joint Negotiation and Purchase of Health and Life Coverage.

As of June 30, 2024, and 2023, participants are:

1. The Town of Adams
2. The Town of Great Barrington
3. The Town of Lanesborough
4. The Town of Lenox
5. The Town of Williamstown
6. The Hoosac Valley Regional School District
7. The Berkshire Hills Regional School District
8. The Central Berkshire Regional School District
9. The Mount Greylock Regional School District
10. The North Berkshire Vocational School
11. The Southern Berkshire Regional School District

In addition, the Berkshire County Insurance Group (BCIG) which was a participating governmental unit of the Group, and which was comprised of about 18 small towns and Groups, dissolved effective June 30, 2018. The units that received their benefits through the BCIG continue to participate in the Group through affiliation agreements with the remaining Group participating governmental units.

The Group operates under a joint purchase agreement that was amended on October 3, 2016. Governmental units may apply for membership and be added to the Group, commencing on a date mutually agreed upon, provided that no less than two-thirds of the Board members representing the participating governmental units vote to accept such additional participants. The Board may, at its discretion, assess a one-time entrance fee on a new Participating Unit to cover installation and other costs.

The amended joint purchase agreement requires any participating unit to provide written notification of withdrawal from the Group by December 1, prior to the anniversary date of health care coverage contracts purchased by the Group. The Board may terminate a participating governmental unit by a two-thirds vote of all Board Members if the unit is in arrears effective for any payment due to the Group.

There is no liability for premiums and expenses following the effective date of the withdrawal or termination of a participating unit except for its: 1) proportional share of any deficits in self-funded plans; 2) open premium expense and 3) any subsequent expense to cover its subscribers remaining (where required by law) on plans after withdrawal or termination. Any deficit owed by the withdrawing or terminating unit shall be paid within sixty (60) days following written demand for payment. A participating unit's proportional share of a deficit in self-funded plans shall be the deficiency certified as of June 30th in the fiscal year of withdrawal or termination multiplied by the quotient as defined in the agreement. A withdrawn or terminated unit shall not be entitled to any share of a surplus in the trust.

All surpluses or deficits of the Group are shared on a proportional basis by non-terminating members. It is at the sole discretion of the Group's Board whether any surplus is to be distributed to the participating units through rate reduction or premium holiday. In the case of a deficit, additional revenue may be raised from each participating unit.

The Group offers the following self-insured plan types from Blue Cross and Blue Shield of Massachusetts:

Plan Name

1. Network Blue New England - \$250 deductible
2. Blue Care Elect - \$250 deductible
3. Blue Choice New England Plan 2
4. Access Blue New England Saver
5. Blue Care Elect Saver
6. Medex II with Blue Medicare RX PDP
7. Dental Blue

Contributions to the Group's trust fund from participating governmental units are on a monthly basis, based on plan specific funding rates for coverage provided on individual and family enrollments for self-insured plans. The funding rates are determined by the Board based on recommendations from the health plans and its consultants and are determined to be 100% of the cost of coverage of the Group as a whole (including, but not limited to, anticipated incurred claims, retention, risk, and group administration expenses) as established through underwriting and/or actuarial estimates. On occasion, the Group applies a portion of unrestricted net position to reduce funding rates as determined above. Premiums for insured plans are set by health plans.

The Group employs the services of Gallagher Benefits Services (GBS), to provide certain management, consulting, and technical functions and to audit medical claims paid. The current agreement with GBS is for a three-year term ending June 30, 2024, and provides for an annual fee based on the number of subscribers. The agreement may be terminated by either party at any time with sixty (60) days prior, written notice.

Note 2 – Summary of Significant Accounting Policies

Financial statements present net position at June 30, 2024 and 2023, and revenues, expenses, and changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America, which recognize revenues from contributions and earnings when earned and expenditures when liabilities are incurred.

Contributions to the plans from participating governmental units are determined annually for the next fiscal year based on current operating results and estimated program costs for that year. Participants are billed monthly. Participant advance contributions are recorded as liabilities until earned.

Cash and Cash Equivalents

Generally, the Group is authorized to invest in the following investments: term deposits or certificates of deposit, trust companies, national banks, savings banks or banking companies, or obligations issued or unconditionally guaranteed by the United States Government or an agency thereof and having a maturity from date of purchase of one year or less with certain other limitations, or such securities as are legal for the investment of funds of savings banks under the bank's laws of the Commonwealth of Massachusetts based on a legal opinion received by the Group.

Cash and cash equivalents consist of cash on hand; cash in checking, savings or money market accounts; repurchase agreements; other short-term investments with original maturities of three months or less; and the Commonwealth of Massachusetts Municipal Depository Trust (MMDT) which has legislative approval for municipal use.

Claims' Liabilities

The Group's obligations include estimated health claims incurred but not reported at June 30. The Group uses the latest reported claims to record the Group's payable of reported claims and to estimate health claims incurred but not reported at that date. Actual claims reported differ from claims estimated, but the size of the Group and stop-loss coverage minimizes the risk of a significant difference. Claims' liabilities are reviewed periodically using claims data adjusted for the Group's current experience. Adjustments to claims' liabilities are charged or credited to expense in the periods in which they are incurred.

Reinsurance

The Trust has a specific excess medical reinsurance contract with an insurance carrier covering claims paid in excess of \$275,000 during 2024 and 2023, with an aggregate specific deductible of \$100,000. During fiscal years 2024 and 2023, a single laser was applied to one member in the amount of \$450,000. The policy covers claims incurred, on a yearly basis, within twelve months and paid within twenty-four months. Amounts recoverable through reinsurance are recorded as a receivable and a reduction of claims expense.

Accounting 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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results will differ from estimates.

Note 3 – Cash, Cash Equivalents and Investments

The Group maintains deposits in several authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Group's deposits may not be returned. The Group does not have a formal deposit policy for custodial credit risk.

At June 30, 2024 and 2023 deposits totaled \$272,039 and \$6,260,281. Carrying amounts were materially consistent with these amounts as only minor reconciling items existed. In addition to these bank deposit amounts at June 30, 2024 and 2023, \$3,826,405 and \$619,929, respectively, which represent MMDT deposits, are included in cash equivalents.

The Groups deposits are all insured through the Federal Deposit Insurance Corporation for up to \$250,000. The Group's sole bank with a State charter is insured for amounts in excess of \$250,000

through the Depository Insurance Fund of Massachusetts. The deposits in the remaining bank which is not under State charter is covered by an irrevocable standby letter of credit, undersigned by the Federal Home Loan Bank of Boston, for \$5,000,000. Therefore, no deposits are unsecured or uninsured.

The Group categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The following table identifies the Groups investments by Level at:

June 30, 2024				
	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 5,343,910	\$5,343,910	\$ -	\$ -
Corporate bonds	4,655,669	-	4,655,669	-
Money market mutual funds	-	-	-	-
Total debt securities	9,999,579	5,343,910	4,655,669	-
Equity securities:				
Common stock	4,005,309	4,005,309	-	-
Exchange traded funds	230,338	230,338	-	-
Total equity securities	4,235,647	4,235,647	-	-
Total investments by fair value level	\$ 14,235,226	\$ 9,579,557	\$ 4,655,669	\$ -
June 30, 2023				
	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 5,863,776	\$5,863,776	\$ -	\$ -
Corporate bonds	6,298,161	-	6,298,161	-
Money market mutual funds	-	-	-	-
Total debt securities	12,161,937	5,863,776	6,298,161	-
Equity securities:				
Common stock	2,596,934	2,596,934	-	-
Exchange traded funds	24,423	24,423	-	-
Equity mutual funds	28,259	28,259	-	-
Total equity securities	2,649,616	2,649,616	-	-
Total investments by fair value level	\$ 14,811,553	\$ 8,513,392	\$ 6,298,161	\$ -

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Group has an investment manager that monitors this risk however the Group does not have a specific investment policy covering custodial credit risk. Investments in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The investment account is insured by Securities Investor Protection Corporation (SIPC) up to \$500,000, with amounts not covered once the \$500,000 is reached by an excess SIPC policy through Lloyds of London for up to \$1.15 million in cash and \$150.9 million in total account balances.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates.

The Group has an investment policy which limits the overall portfolio allocation of fixed income to US Obligations and Agencies and Corporations whose bond rating is A or greater. In no event shall the debt securities of any one corporate issuer exceed 5% of fund assets, nor 20% in any single industry. The average length of maturity is subject to the investment managers discretion, but a laddered average maturity is to be maintained for liquidity purposes. Obligations of the US Government and its agencies are not subject to these limitations.

The approximate maturities of the Group's debt investments are disclosed in the following table as of:

June 30, 2024			
Investments	Total	Time Until Maturity (Years)	
		<1	1 - 5
U.S. Government obligations	\$ 5,343,910	\$ 2,980,863	\$ 2,363,047
Corporate bonds	4,655,669	1,824,666	2,831,003
Total Investments with Maturities	<u>\$ 9,999,579</u>	<u>\$ 4,805,529</u>	<u>\$ 5,194,050</u>

June 30, 2023			
Investments	Total	Time Until Maturity (Years)	
		<1	1 - 5
U.S. Government obligations	\$ 5,863,776	\$ 5,202,940	\$ 660,836
Corporate bonds	6,298,161	1,625,506	4,672,655
Total Investments with Maturities	<u>\$ 12,161,937</u>	<u>\$ 6,828,446</u>	<u>\$ 5,333,491</u>

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Group has an investment policy which prohibits any one issue (excluding US Government securities) from making up more than 5% of the portfolio. As of June 30, 2024 or 2023 there are no securities exceeding this threshold. In addition, the Group's investment portfolio may not include common stock that in total exceeds 35% of total cash and investments with a \$7 million cap.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in following table. Equity securities are not rated as to credit risk. The Group has an investment policy which limits the overall portfolio allocation to corporate bonds rated A or greater by at least one rating agency.

Bond Ratings	Investments that are rated			
	June 30, 2024		June 30, 2023	
	Government Obligations	Corporate Fixed Income	Government Obligations	Corporate Fixed Income
Aaa	\$ 5,343,910	\$ -	\$ 5,863,776	\$ 98,438
Aa1	-	-	-	-
Aa2	-	193,704	-	192,924
Aa3	-	190,439	-	387,268
A1	-	1,071,340	-	1,006,943
A2	-	2,624,545	-	3,749,507
A3	-	575,641	-	863,081
	<u>\$ 5,343,910</u>	<u>\$ 4,655,669</u>	<u>\$ 5,863,776</u>	<u>\$ 6,298,161</u>

Note 4 – Reinsurance Receivables, Prepaid Expenses and Deposits

Based on current year experience with larger claims, the Group may have an amount due from its reinsurance carrier at year end. As of June 30, 2024, there was a balance receivable of \$561,707 while at of June 30, 2023, the balance was \$635,256.

In the prior year, if monthly estimated payments made by the Group to Blue Cross Blue Shield exceeded actual claims paid, the Group would have a prepaid amount for the final quarterly settlement of the fiscal year. This amount as of June 30, 2023, was \$433,969. In the current fiscal year a weekly process (see Note 5) was adopted which essentially eliminates any prepaid at year-end.

Note 5 – Plan Deposits and Payment Arrangements

Effective April 1, 2024, the Group pays Blue Cross & Blue Shield (BC/BS) claims weekly via an ACH. Notification of the previous weeks claims is sent each Monday via email. On Wednesday, Blue Cross electronically transfers funds from the Berkshire Health Groups (BHG) Operating account. On the third week of each month, BHG receives a monthly settlement report. The report includes an invoice for administrative fees, state surcharges, recovery fees, and pharmacy and member base charges for the prior month. The amount on the monthly settlement report is debited by the Blue Cross Treasury along with the weekly charges of the applicable week via ACH. Any net settlement credits owed are applied to the next weekly invoice.

Note 6 – Unpaid Claims

The Group establishes a liability for both reported and unreported incurred events which includes estimates of both future payments of losses and related adjustment expenses, if any. The following represents changes in claims liabilities during the years ended:

	June 30,	
	<u>2024</u>	<u>2023</u>
Unpaid claims and claims adjustment expenses - beginning of year	\$ 3,558,955	\$ 3,674,984
Incurred claims and claims adjustment expenses:		
Provision for insured events of the current fiscal year	38,793,917	33,503,437
Increase (decrease) in provision for insured events of prior fiscal year	<u>355,896</u>	<u>527,209</u>
	<u>39,149,813</u>	<u>34,030,646</u>
Payments		
Claims and expenses, net, attributable to insured events - current year	(35,114,325)	(30,506,564)
Claims and expenses, net, attributable to insured events - prior year	<u>(3,203,060)</u>	<u>(3,640,111)</u>
	<u>(38,317,385)</u>	<u>(34,146,675)</u>
Total unpaid claims and claim adjustment expenses - end of year	<u>\$ 4,391,383</u>	<u>\$ 3,558,955</u>