

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**BERKSHIRE HEALTH GROUP**

**REPORT ON EXAMINATION OF  
FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2025 and 2024**



**BERKSHIRE HEALTH GROUP**

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**YEARS ENDED JUNE 30, 2025 and 2024**

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## 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, 2025 and 2024, 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, 2025 and 2024, 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 10, 2026

## 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, 2025, and 2024. 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 over \$11.0 million at the close of the fiscal year. This is down approximately 19% from the prior year. Net position at June 30, 2025 represents 26.2% of fiscal year 2025 claims expense. At June 30, 2024 net position represented 35.2% of fiscal year 2024 claims expense.
- For the year ended June 30, 2025, net position decreased by over \$2.6 million or 19% compared to a decrease of over \$4.8 million or 26% for fiscal year 2024.
- The increase (7%) in rates was not sufficient to support the increase in claims. With costs increasing industry wide causing claims to continue to rise, the impact was felt by the Group.
- The decrease in total cash and investments of nearly \$2.0 million 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 an annual fund balance policy which provides for a target range of unrestricted net position of between 10 – 15% of claims for the Group to maintain current year operating purposes. The Group continues to exceed this goal annually.

Investment income earned on the Group’s investment portfolio, when applied to the operating income (loss), resulted in a net increase to the Group’s net position.

In fiscal year 2025, the Town of Richmond joined the group.

### **Condensed Financial Information**

A comparative summary of financial information is presented below:

	<b>June 30</b>		<b>Increase/ Decrease</b>	<b>% Change</b>
	<b>2025</b>	<b>2024</b>		
Cash	\$ 3,940,011	\$ 4,098,444	\$ (158,433)	-4%
Investments	12,428,370	14,235,226	(1,806,856)	-13%
Other assets	477,072	615,379	(138,307)	-22%
Total assets	<u>16,845,453</u>	<u>18,949,049</u>	<u>(2,103,596)</u>	-11%
Claims incurred but not reported	4,656,560	4,391,383	265,177	6%
Other current liabilities	1,153,948	895,726	258,222	29%
Total liabilities	<u>5,810,508</u>	<u>5,287,109</u>	<u>523,399</u>	10%
Unrestricted net postion	<u>\$ 11,034,945</u>	<u>\$ 13,661,940</u>	<u>\$ (2,626,995)</u>	-19%
Member assessment	45,929,717	39,630,358	6,299,359	16%
Claims expense	(42,134,898)	(38,793,917)	(3,340,981)	9%
Claims administration expenses	(1,795,580)	(1,951,128)	155,548	-8%
Other group expenses	<u>(6,210,436)</u>	<u>(5,346,480)</u>	<u>(863,956)</u>	16%
Operating income (loss)	<u>(4,211,197)</u>	<u>(6,461,167)</u>	<u>2,249,970</u>	-35%
Investment income (loss) & other	1,584,202	1,611,213	(27,011)	-2%
Change in net postion	<u>\$ (2,626,995)</u>	<u>\$ (4,849,954)</u>	<u>\$ 2,222,959</u>	-46%

### **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 2025 or 2024.

Prior to June 30, 2025, the Group's Board of Directors set the rate structure for fiscal year 2026 plan participation. The rate structure resulted in a 16% increase 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, 2025 AND 2024**

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	<u>2025</u>	<u>2024</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 3,940,011	\$ 4,098,444
Investments	12,428,370	14,235,226
Receivables:		
Member accounts	2,623	2,527
Reinsurance claims	418,667	561,707
Total receivables	<u>421,290</u>	<u>564,234</u>
Prepaid expenses	192	192
Accrued interest income	55,211	50,271
Capital assets, net of depreciation	<u>379</u>	<u>682</u>
Total assets	<u>\$ 16,845,453</u>	<u>\$ 18,949,049</u>
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts payable	\$ 236,398	\$ 217,175
Claims liabilities	4,656,560	4,391,383
Participants' advance contributions	917,550	678,551
Total liabilities	<u>5,810,508</u>	<u>5,287,109</u>
<b><u>NET POSITION</u></b>		
Unrestricted:		
Medical and dental programs	<u>11,034,945</u>	<u>13,661,940</u>
Total unrestricted/net position	<u>11,034,945</u>	<u>13,661,940</u>
Total liabilities and net position	<u>\$ 16,845,453</u>	<u>\$ 18,949,049</u>

See accompanying notes to financial statements.

**BERKSHIRE HEALTH GROUP**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>Operating revenues:</b>		
Participants' contributions	\$ 45,929,717	\$ 39,630,358
Total operating revenue	<u>45,929,717</u>	<u>39,630,358</u>
<b>Operating expenses:</b>		
Health claims incurred	\$ 42,134,898	\$ 38,793,917
Claims administration charges	1,795,580	1,951,128
Fixed premiums	4,540,435	3,673,425
Stop loss insurance premiums	1,103,075	1,128,675
Consulting services	323,851	324,707
Wellness program	164,534	149,232
Other administrative services	<u>78,541</u>	<u>70,441</u>
Total operating expenses	<u>50,140,914</u>	<u>46,091,525</u>
Operating income (loss)	(4,211,197)	(6,461,167)
<b>Nonoperating revenues (expenses):</b>		
Investment income	1,624,459	1,661,294
Management fees	<u>(40,257)</u>	<u>(50,081)</u>
Total nonoperating revenues (expenses)	<u>1,584,202</u>	<u>1,611,213</u>
Changes in net position	(2,626,995)	(4,849,954)
Net position, beginning of year	<u>13,661,940</u>	<u>18,511,894</u>
Net position, end of year	<u>\$ 11,034,945</u>	<u>\$ 13,661,940</u>

See accompanying notes to financial statements.

**BERKSHIRE HEALTH GROUP**

**STATEMENTS OF CASH FLOWS  
JUNE 30, 2025 AND 2024**

	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities:</b>		
Cash received from participants	\$ 46,072,661	\$ 39,710,305
Cash paid to insurance providers and other vendors	(49,617,515)	(44,703,777)
Net cash provided by (used in) operating activities	(3,544,854)	(4,993,472)
<b>Cash flows from investing activities:</b>		
Purchases and sales of investments (net)	3,367,310	2,191,665
Interest income on deposits	19,111	18,883
Net cash provided by (used in) investing activities	3,386,421	2,210,548
Net increase (decrease) in cash	(158,433)	(2,782,924)
Cash, beginning of year	4,098,444	6,881,368
Cash, end of year	\$ 3,940,011	\$ 4,098,444
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (4,211,197)	\$ (6,461,167)
Changes in operating assets and liabilities:		
Receivables	142,944	79,947
Prepays	-	433,777
Accounts payable	19,223	160,375
Claims liabilities	265,177	832,428
Other liabilities	238,999	(38,832)
Net cash provided by (used in) operating activities	\$ (3,544,854)	\$ (4,993,472)

See accompanying notes to financial statements.

## **BERKSHIRE HEALTH GROUP**

### **NOTES TO BASIC FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2025 and 2024**

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#### **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, 2025, and 2024, participants are as follows, except the Town of Richmond which joined effective 2025 only:

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

In addition, the Berkshire County Insurance Group (BCIG) which was a participating governmental unit of the Group, was comprised of multiple 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 30<sup>th</sup> 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**

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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, 2027, 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, 2025 and 2024, 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 2025 and 2024, with an aggregate specific deductible of \$100,000. During fiscal years 2025 and 2024, 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, 2025 and 2024 deposits totaled \$1,089,810 and \$272,039. Carrying amounts were materially consistent with these amounts as only minor reconciling items existed. In addition to these bank deposit

amounts at June 30, 2025 and 2024, \$2,850,200 and \$3,826,405, 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. 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, 2025				
	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 5,499,871	\$ 5,499,871	\$ -	\$ -
Corporate bonds	2,712,956	-	2,712,956	-
Total debt securities	8,212,827	5,499,871	2,712,956	-
Equity securities:				
Common stock	4,077,455	4,077,455	-	-
Exchange traded funds	138,088	138,088	-	-
Total equity securities	4,215,543	4,215,543	-	-
Total investments by fair value level	<u>\$ 12,428,370</u>	<u>\$ 9,715,414</u>	<u>\$ 2,712,956</u>	<u>\$ -</u>
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	-
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	<u>\$ 14,235,226</u>	<u>\$ 9,579,557</u>	<u>\$ 4,655,669</u>	<u>\$ -</u>

*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, 2025			
Investments	Total	Time Until Maturity (Years)	
		<1	1 - 5
U.S. Government obligations	\$ 5,499,871	\$ 3,327,152	\$ 2,172,719
Corporate bonds	2,712,956	1,293,488	1,419,468
Total Investments with Maturities	<u>\$ 8,212,827</u>	<u>\$ 4,620,640</u>	<u>\$ 3,592,187</u>

  

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>

*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, 2025 or 2024 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, 2025		June 30, 2024	
	Government Obligations	Corporate Fixed Income	Government Obligations	Corporate Fixed Income
Aaa	\$ 5,499,871	\$ -	\$ 5,343,910	\$ -
Aa1	-	-	-	-
Aa2	-	199,011	-	193,704
Aa3	-	295,618	-	190,439
A1	-	295,437	-	1,071,340
A2	-	1,724,773	-	2,624,545
A3	-	198,117	-	575,641
	<u>\$ 5,499,871</u>	<u>\$ 2,712,956</u>	<u>\$ 5,343,910</u>	<u>\$ 4,655,669</u>

#### **Note 4 – Reinsurance Receivables, Prepaid Expenses and Deposits**

Based on current years' experience with larger claims, the Group may have an amount due from its reinsurance carrier at year end. As of June 30, 2025, there was a receivable balance of \$418,667 while at of June 30, 2024, the balance was \$561,707.

#### **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,	
	2025	2024
Unpaid claims and claims adjustment expenses - beginning of year	\$ 4,391,383	\$ 3,558,955
Incurred claims and claims adjustment expenses:		
Provision for insured events of the current fiscal year	42,134,898	38,793,917
Increase (decrease) in provision for insured events of prior fiscal year	439,139	355,896
	<u>42,574,037</u>	<u>39,149,813</u>
Payments		
Claims and expenses, net, attributable to insured events - current year	(38,356,615)	(35,114,325)
Claims and expenses, net, attributable to insured events - prior year	(3,952,245)	(3,203,060)
	<u>(42,308,860)</u>	<u>(38,317,385)</u>
Total unpaid claims and claim adjustment expenses - end of year	<u>\$ 4,656,560</u>	<u>\$ 4,391,383</u>