



Financial Statements
June 30, 2024 and 2023

Better Health Collective

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Independent Auditor's Report

To the Board of Trustees
Better Health Collective
Staples, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Better Health Collective (the Pool), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Better Health Collective'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 Better Health Collective as of June 30, 2024, and the respective changes in financial position, and its 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Better Health Collective and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 these 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 Better Health Collective's ability to continue as a going concern for twelve months after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Better Health Collective'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 Better Health Collective'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 audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of contribution and claims development information 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 GAAS 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements are not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Better Health Collective's basic financial statements. The uniform financial accounting and reporting standards (UFARS) compliance tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 GAAS. In our opinion, the uniform financial accounting and reporting standards (UFARS) compliance tables are 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 November 25, 2024, on our consideration of Better Health Collective'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 Better Health Collective'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 Better Health Collective's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
November 25, 2024

Better Health Collective
Statements of Net Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,163,234	\$ -
Short-term investments		
Debt securities at fair market value	50,046	-
Receivables		
Member contributions	154,071	65,707
Funds held by others	-	8,477,121
Pharmacy rebates	1,371,005	1,530,322
Reinsurance recoverable	20,742	-
Other receivables	392,618	-
Total current assets	7,151,716	10,073,150
Long-Term Investments		
Debt securities at fair market value	5,186,371	-
Total Assets	\$ 12,338,087	\$ 10,073,150
Liabilities and Net Position		
Current Liabilities		
Estimated liability for reported and unreported loss and loss adjustment expense	\$ 3,903,642	\$ 3,857,825
Accounts payable	39,819	20,055
Due to other governments	40,961	-
Payable to claims administrator	13,531	16,516
Total current liabilities	3,997,953	3,894,396
Net Position		
Unrestricted	8,340,134	6,178,754
Total Liabilities and Net Position	\$ 12,338,087	\$ 10,073,150

Better Health Collective
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Revenues		
Member contributions earned	\$ 44,319,103	\$ 40,223,041
Less: reinsurance premiums ceded	(3,515,228)	(2,697,476)
Plus: reinsurance premiums collected from members	3,515,228	2,697,476
Net operating revenues	44,319,103	40,223,041
Operating Expenses		
Net claims and claims adjustment expenses incurred		
Claims and claims adjustment expenses incurred	44,509,262	44,772,003
Reinsurance recoveries	(2,416,597)	(3,103,432)
Total claims and claims adjustment expenses incurred, net	42,092,665	41,668,571
General and administrative expenses		
Administrative fees	878,848	1,077,882
Broker fees	59,550	65,800
Professional fees	363,821	44,353
Membership fees	1,967	5,691
Affordable Care Act fees	20,961	18,464
Miscellaneous expenses	421	17,826
Total general and administrative expenses	1,325,568	1,230,016
Operating Income (Loss)	900,870	(2,675,546)
Other Income (Expense)		
Net investment income (expense)	206,418	(47,254)
Miscellaneous income	310,571	23,135
Total other income (expense)	516,989	(24,119)
Income (Loss) before Contributions	1,417,859	(2,699,665)
Contributions	743,521	8,878,419
Change in Net Position	2,161,380	6,178,754
Net Position, Beginning of Year	6,178,754	-
Net Position, End of Year	\$ 8,340,134	\$ 6,178,754

Better Health Collective
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Receipts from member contributions	\$ 47,745,967	\$ -
Payments for claims and claims adjustments	(42,046,848)	-
Payments of reinsurance premiums	(3,535,970)	-
Payments of operating expenses	(1,190,558)	-
	<u>972,591</u>	<u>-</u>
Net cash provided by operating activities	\$ 972,591	\$ -
Investing Activities		
Purchases	(5,230,396)	-
Investment income received, net of investment expenses	200,397	-
	<u>(5,029,999)</u>	<u>-</u>
Net cash used for investing activities	(5,029,999)	-
Financing Activities		
Contributions	9,220,642	-
	<u>9,220,642</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	5,163,234	-
Cash and Cash Equivalents, Beginning of Year	-	-
	<u>-</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	\$ 5,163,234	\$ -
	<u>\$ 5,163,234</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating (loss) income	\$ 900,870	\$ (2,675,546)
Adjustments to reconcile operating gain to net cash from operating activities		
Miscellaneous income (expense)	310,571	23,135
Increase (decrease) in assets		
Contributions receivable	(88,364)	441
Funding paid to third parties	(392,618)	2,327,730
Reinsurance recoverable on paid losses	(20,742)	(432,717)
Pharmacy rebates	159,317	-
Increase (decrease) in liabilities		
Losses and loss adjustment expense reserves	45,817	749,586
Accounts payable and accrued expenses	57,740	(9,145)
Unearned contributions	-	16,516
	<u>972,591</u>	<u>-</u>
Net Cash Provided by Operating Activities	\$ 972,591	\$ -
	<u>\$ 972,591</u>	<u>\$ -</u>

See Notes to Financial Statements

Better Health Collective
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Supplemental Disclosure of Funds Held by Sponsoring Organization - Investing and Financing Activities		
Contributions received	\$ -	\$ 40,239,998
Reinsurance premiums paid	-	(2,697,476)
Underwriting and expenses of operations (paid) received	-	(1,844,952)
Claims and claims adjustment expenses paid	-	(40,745,911)
Decrease in funds held by others	-	2,350,865

Note 1 - Nature of Business and Significant Accounting Policies

Reporting Entity

Better Health Collective Employee Health Benefits Pool (Pool) provides health and other health related coverages for member organizations and was created under Minnesota Statute, § 471 effective July 1, 2022. There were 33 and 32 participating members of the Pool as of June 30, 2024 and 2023, respectively, all of which were the sponsoring association, statutory or home rule charter cities, counties, school districts, or instrumentalities of the State of Minnesota. The objective of the Pool is to provide and implement group health coverage and health maintenance cost containment programs and procedures to employees of Minnesota public agencies. The Pool is supervised by a Board of Trustees consisting of up to seven members.

The Pool assumed certain liabilities in conjunction with accepting the initial contribution from certain participating members. The Pool is exposed to various risks of loss related to torts and errors and omissions. The Pool has purchased commercial insurance to mitigate its risks.

The Pool's bylaws contain a provision stating that if a series of claims exhaust the Pool's net position, then the payment of those claims will be the obligation of the members. Members agree to continue membership in the Pool for a period of not less than twelve months from a renewal date of January 1 or July 1, and may withdraw from the Pool by giving written notice to the Pool no later than five months before the end of the Participating Member's Policy Year. Claims incurred prior to the effective date of withdrawal shall be paid by the Pool provided such claims are presented to the Pool, or its designee, within 180 days after the effective date of withdrawal. Any claims incurred after the effective date of withdrawal and any claims submitted after 180 days after the effective date of withdrawal shall be the responsibility of the withdrawing member.

The Board of Trustees shall review each Participating Member's status and experience, no less than annually, to determine whether they meet any criteria for expulsion. Criteria for expulsion include:

- Failure to remit a premium, assessment, or penalty in the amount required by the date due;
- Failure to comply with the membership agreement and bylaws, a delegation of authority from the Board, Board policies and procedures, or applicable laws and rules;
- Failure to perform other assigned obligations with respect to the Pool or any Plan;
- Failure to satisfy the standards of financial integrity adopted by the Board; or
- Other action or failure to act which the Board of Trustees determines to be detrimental to the interests of the Pool or any Plan.

A member that withdraws or is expelled from the Pool has no right to a share of the Pool's surplus.

The Board of Trustees may, but is not required to, declare and pay dividends or distributions from its surplus. The board shall not declare a dividend if doing so would cause surplus to be negative. Any dividend declared is allocated in proportion to each eligible Participating Member's share of the total premiums paid during the applicable period. Only Members participating in the Pool at the time of declaration are eligible to receive the dividend or distribution. A Member that withdraws or is expelled from the Pool has no right to a share of the Pool's surplus.

Upon termination of the Pool and after payment of all claims and losses, all remaining assets and funds held by the Pool shall be paid to all Members of the Pool upon final dissolution in accordance with applicable law. The amount distributed to each Participating Member is based on a two-step formula which considers total consecutive Member Months of each Member as well as amounts paid for annual premiums. The Pool shall not be dissolved without authorization from the Commissioner. The Commissioner will grant authorization within 60 days of receipt of the request if either the Pool has no outstanding liabilities or if the Pool has obtained commitment from a licensed insurer that provides for payment of all outstanding liabilities.

A summary of the Pool's significant accounting policies follows:

Basis of Presentation

The financial statements have been prepared using the accrual basis of accounting. The Pool prepares its financial statements primarily following the guidance of Governmental Accounting Standards Board (GASB) Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* (as amended by subsequent GASB statements) along with other applicable standards issued by the GASB. GASB Statement No. 10 establishes accounting and financial reporting standards for risk financing and insurance-related activities of public entity risk pools.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the estimated liability for reported and unreported claims and claims adjustment expenses, amounts recoverable from reinsurers under excess of loss agreements, and pharmaceutical rebates.

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Pool includes as cash equivalents all cash accounts and money market mutual funds which are not subject to withdrawal restrictions or penalties. Certificates of deposit with original maturities less than ninety days are considered cash equivalents.

Receivables

Receivables are recorded based on amounts due from members and other third-party payers, and amounts estimated to be received or recovered from reinsurers and other third-party payers. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. An allowance for doubtful accounts was not considered necessary by the Pool's management as of June 30, 2024 and 2023.

Investments

Investment securities are accounted for under the provisions of GASB 72 *Fair Value Measurement and Application*. Accordingly, the Pool is required to report investments at fair value in the statement of net position with changes in the fair value of investments reported as investment income. Certificates of deposit that are negotiable are also carried at fair market value. Nonparticipating certificates of deposits are stated at cost.

Dividend and interest income are recognized when earned. Investment expenses are netted against investment income.

The calculation of realized gains and losses is independent of the calculation of the net increase (decrease) in the fair value of investments. Realized gains and losses on investments that had been held for more than one year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

The Pool's Board of Trustees has authorized investments in certificates of deposit, United States Treasury and government agency issues, mortgage-backed securities, corporate and municipal bonds and mutual funds, among other investments.

There were no investments or related investment income as of and for the year ended June 30, 2023.

Funds Held by Others

As of June 30, 2023, all funds were held by the sponsoring organization for the benefit of the Pool, and income is earned based on the balance of the funds held. Losses on these funds were (\$47,254) for the year ended June 30, 2023.

Funds were transferred to and fully owned by the Pool as of June 30, 2024.

Member Contributions and Unearned Income

Members are billed monthly in advance for a deposit contribution. Income from such contributions is recorded as earned during the coverage period. Contributions received in advance for coverage in the following policy year are recorded as advance member contributions. Member contributions are reduced by reinsurance premiums ceded to the reinsurance companies.

Reinsurance

In the normal course of business, the Pool seeks to reduce the loss that may arise from events that cause unfavorable underwriting results, by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers.

Amounts recoverable from reinsurers under excess loss coverages are estimated in a manner consistent with the development of the estimated liability for losses and loss adjustment expense reserves. Amounts recoverable from reinsurers that relate to paid claim losses and loss adjustment expenses are classified as assets, net of allowance for any estimated uncollectible amounts, and as a reduction to claims expenses incurred.

As adjustments to this estimated liability become necessary, such adjustments are reflected in current operations. Management of the Pool believes the estimated liability for losses and loss adjustment expense reserves is sufficient to cover the ultimate net cost of incurred claims, but such reserves are necessarily based on estimates and the ultimate liability may be greater or less than the amounts estimated.

Subrogation and Coordination of Benefits Recoverable

The Pool bylaws prohibit performing subrogation activities. The Pool does coordinate benefits to the extent available. The Pool evaluates the value of potential recoverable in determining the reserve for unpaid loss and loss adjustment expenses. The nature of the recoverable is such that the length of collections, coverage of the member, and other parties with a bona fide claim vary greatly from case to case. For this reason, the Pool feels that although collections are probable, they are not reasonably estimated and therefore are not accrued within the financial statements.

Income Taxes

The Pool's management believes that its income is excludable from income tax under section 115 of the Internal Revenue Code. A private letter ruling on the Pool's tax-exempt status has not been requested. Management believes that the Pool continues to operate in a manner whereby it continues to be tax exempt.

Contribution Deficiency

A contribution deficiency exists when the sum of expected claims costs (including an estimated liability for unreported claims) and all expected claims adjustment expenses, expected dividends, and policy acquisition costs exceed related unearned contribution. The Pool anticipates investment income in determining if a contribution deficiency exists. The Pool did not recognize a contribution deficiency as of June 30, 2024 or 2023.

Estimated Liability for Reported and Unreported Claims and Claims Adjustment Expenses

The coverage offered by the Pool is on the occurrence basis which provides for payment of claims that occur during the period of coverage and which are submitted within 12 months of the date of occurrence. The estimated liability for reported and unreported claims and claims adjustment expenses is based upon data developed by the Pool's administrator. Industry experience and statistics were used to develop the estimated liability. The liability includes estimates of the costs to settle individual claims which have been reported, plus a provision for claims and costs incurred but not yet reported. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Claims are reduced for subrogation when payment is received, as subrogation amounts are immaterial. There was no change in assumptions used in the current year to create the liability.

As adjustments to this estimated liability become necessary, such adjustments are reflected in current operations. Management of the Pool believes the estimated liability for reported and unreported claims and claims adjustment expenses is sufficient to cover the ultimate net cost of incurred claims, but such reserves are necessarily based on estimates and the ultimate liability may be greater or less than the amounts estimated.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net income or net position.

Subsequent Events

The Pool has evaluated subsequent events through November 25, 2024, the date on which the financial statements were available to be issued.

Note 2 - Deposits and Investments

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (i.e. broker-dealer) to a transaction, the Pool will not be able to recover the value of its investments that are in the possession of another party. As of June 30, 2024 the Pool's money markets and investments were collateralized by a \$7,500,000 letter of credit in the event of the default of the Pool's investment custodian. The Pool did not have any deposit account balances in excess of the FDIC limit as of June 30, 2024 and 2023.

Concentration of Credit Risk

The Pool's investment policy provides that no more than 50 percent of the US agency securities shall be from one issuer, and no more than 5 percent of municipal securities shall be from one issuer. Savings and demand deposits, certificates of deposit, and mortgage-backed securities shall not comprise more than 25 percent, 75 percent, and 10 percent, respectively, of the total portfolio.

As of June 30, 2024, the Pool had the following cash and investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Not Applicable	< 1	1 - 5	> 5
Cash and Cash Equivalents					
Deposits	\$ 95,317	\$ 95,317	\$ -	\$ -	\$ -
Money Market	5,067,917	5,067,917	-	-	-
Investments					
U.S. Government Securities	4,399,094	-	895,581	2,372,882	1,130,361
Municipal Bonds	837,323	-	126,368	560,874	150,081
	<u>\$ 10,399,651</u>	<u>\$ 5,163,234</u>	<u>\$ 1,021,949</u>	<u>\$ 2,933,756</u>	<u>\$ 1,280,442</u>

The fair value of investments increased by \$6,022 for the year ended June 30, 2024. The amount takes into account all changes in fair value (included purchases and sales) that occurred during the year. Gross realized investment gain was \$0 and loss was \$0 for the year ended June 30, 2024.

The Pool 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 the 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 Pool has the following recurring fair value measurements as of June 30, 2024:

- U.S. government securities of \$4,399,094 are valued using quoted market prices (Level 1 inputs)
- Municipal bonds of \$837,323 are valued using quoted market prices (Level 1 inputs)

Credit Risk

Suitable investments described in the Pool's investment policy include interest bearing checking accounts, savings accounts, United States Treasury bills, bonds and notes, United States Government Agencies, among other securities described in the Pool's investment policy. The Pool has no investment policy that would further limit its investment choices other than as described in its investment footnote disclosures. The Pool's investment policy states that corporate and municipal bonds rated A or better by Moody's Investment Service or an equivalent rating by another recognized service, and mutual and money market funds that invest in U.S. Treasury securities, are acceptable.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Pool limits interest rate risk by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity. Investment maturities are staggered in such a manner that all investments will not come due at the same time. The cash and cash equivalents and investment portfolio will be managed with a portfolio effective duration of no longer than four years. The Pool's investment policy also requires that at least 10 percent of investable funds be held in a stable value investment to provide liquidity.

Note 3 - Liability for Losses and Loss Adjustment Expense Reserves

The Pool establishes liabilities for both reported and unreported covered events, which includes estimates of both future payments of claims and related claims adjustment expenses. The Pool agreed to assume liabilities for claims incurred but unpaid prior to July 1, 2022, for certain participating members. The following is a summary of the changes in those aggregate liabilities for the years ended June 30, 2024 and 2023:

	2024	2023
Net Unpaid Losses and Loss Adjustment Expense Reserves, beginning of year, assumed and incurred	\$ 3,857,825	\$ 2,935,165
Net Incurred Losses and Loss Adjustment Expenses		
Current year provision	41,531,137	40,424,979
Increase in prior years' provisions assumed and incurred	561,528	1,243,592
Net provision	42,092,665	41,668,571
Net Losses and Loss Adjustment Expense Payments Attributable to		
Current year	38,763,542	37,246,989
Prior years	3,283,306	3,498,922
Net payments	42,046,848	40,745,911
Unpaid Losses and Loss Adjustment Expense Reserves, End of Year	\$ 3,903,642	\$ 3,857,825

As a result of changes in estimates of insured events incurred in prior years and assumed on July 1, 2022, the provision for losses and loss adjustment expense reserves assumed on July 1, 2022, and incurred since inception, had unfavorable development of \$561,528 and \$1,243,592 during the years ended June 30, 2024 and 2023, respectively. The change in incurred losses was primarily attributable to new information regarding claim development that became known during subsequent periods.

Note 4 - Reinsurance

The Pool and its members utilize reinsurance agreements to limit maximum loss and minimize exposures on larger risks. Under the reinsurance agreements in effect during the periods ending June 30, 2024 and 2023, the Pool was reimbursed under an individual stop loss policy and an aggregate stop loss policy.

Under the individual stop loss policy, a covered person is subject to a \$250,000 deductible for the periods ended June 30, 2024 and 2023. The policy covers claims incurred on or after the effective date of the agreement while the policy is in force and paid either during the policy year or within the following 6 months.

Under the aggregate stop loss policy, a covered member entity of the Pool is subject to a deductible calculated by multiplying the number of covered employees by their applicable aggregate monthly attachment factor. Aggregate monthly attachment factors vary depending on what plan the policyholder has, as well as whether the plan is a single plan or family plan.

The Pool and its members would be liable for any obligations that the reinsurance companies are unable to meet under the reinsurance agreements. The Pool would be liable for any claims that occurred for which their reinsurance policies would not cover under the agreement but was determined covered under the Pool agreements. During the years ended June 30, 2024 and 2023, claims expenses incurred are net of \$2,416,597 and \$3,103,432 of recoveries from the reinsurance company under contract.

Note 5 - Pharmacy Rebates

The Pool receives pharmacy rebates on a quarterly basis. As of June 30, 2024 and 2023, a receivable is estimated based on historical receipts as well as benefit payments made throughout the 4th quarter. The estimates are adjusted based on actual collections through the date these financials statements are issued. The subsequent collections are considered a Type 1 subsequent event and are included in the recorded balance as of June 30, 2024 and 2023. Included in the recorded balance as of June 30, 2024 and 2023 are \$1,371,005 and \$1,530,322, respectively, of pharmacy rebates receivables. The Pool's administrator reconciles all pharmacy rebates for all clients annually and may pay additional rebates to the Pool. As these amounts are not readily estimated, they are recognized when received. As of June 30, 2024 and 2023, \$704,319 and \$830,617, respectively, of pharmacy rebates receivables were greater than 90 days outstanding. There were no collection issues or bad debts noted as of June 30, 2024 and 2023. During the years ended June 30, 2024 and 2023, claims expenses incurred are net of \$2,703,650 and \$2,395,724 of pharmacy rebates, respectively.

Note 6 - Service Agreements

The Pool has an agreement with a claim administrator to provide claims and program administration for the Pool. Fees incurred under the agreement for the years ended June 30, 2024 and 2023, were \$930,545 and \$900,079, respectively, reported in administrative fee expense.

The Pool has an agreement with a service provider to provide enrollment and billing services for the Pool. Fees incurred under the agreement for the years ended June 30, 2024 and 2023, were \$130,214 and \$125,298, respectively, reported in administrative fee expense.

The Pool collects contributions from the respective members and pays for third party service fees (included in administrative fee expense in the accompanying statement of revenues and expenses). Contributions collected during the year ended June 30, 2024 and 2023, were \$931,503 and \$900,907, respectively.

The Pool has an agreement with a service provider to provide wellness portal access for the Pool's members. Fees incurred under the agreement for the year ended June 30, 2024 and 2023, were \$63,092 and \$129,574, reported in administrative expense.

Note 7 - Related Party Transactions

Sourcewell is the sponsoring association and a member of the Pool. The Pool incurred compensation fees related to Sourcewell of \$823,535 and \$823,535 for the years ended June 30, 2024 and 2023, respectively. No amounts were due to or from Sourcewell, related to administrative fees, as of June 30, 2024.

Cash of \$1,030,159 was received during the year ended June 30, 2024 based on the settlement of funds withheld; \$743,521 was recorded as contributions and \$286,638 was recorded as other income. There were no contributions other than the initial contribution of \$8,878,419 during the year ended June 30, 2023.

Note 8 - Major Members

The Pool had one major member for the periods ending June 30, 2024 and 2023. A major member is one which provides 10 percent or more of an entity's revenue in any year. Net member contributions earned from the major member were approximately \$5,418,000 and \$4,494,000 for the years ended June 30, 2024 and 2023, respectively.

Note 9 - Contingencies

The Pool is a party to various legal actions and is subject to various claims arising in the ordinary course of business. Management believes that the disposition of these matters will not have a material adverse effect on the Pool's financial position or results of operations.



Required Supplementary Information
June 30, 2024

Better Health Collective

Better Health Collective
Schedule of Contribution and Claim Development Information (Unaudited)
For the Year Ended June 30, 2024

	2023	2024
Net Earned Member Contributions and Investment loss	\$ (47,254)	\$ 206,418
Earned	40,223,041	44,319,103
Ceded	(2,697,476)	(3,515,228)
Reinsurance collected from members	2,697,476	3,515,228
Net earned	40,175,787	44,525,521
Unallocated Expenses	1,502,787	1,325,568
Estimated Claims and Expenses, End of Policy Year		
Incurred	44,499,232	44,509,262
Ceded	(3,103,432)	(2,416,597)
Net incurred	41,395,800	42,092,665
Net Paid (Cumulative) as of:		
End of policy year	36,974,218	38,763,542
One year later	40,257,524	-
Two years later	-	-
Three years later	-	-
Four years later	-	-
Five years later	-	-
Six years later	-	-
Seven years later	-	-
Eight years later	-	-
Nine years later	-	-
Net Paid on Assumed and Incurred Liabilities *	3,498,922	3,283,306
Estimated Ceded Claims and Expenses	(3,103,432)	(2,416,597)
Estimated Net Incurred Claims and Expenses		
End of policy year	40,152,208	41,531,137
One year later	40,713,736	-
Two years later	-	-
Three years later	-	-
Four years later	-	-
Five years later	-	-
Six years later	-	-
Seven years later	-	-
Eight years later	-	-
Nine years later	-	-
Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year	\$ 561,528	\$ -

Increase (Decrease) in Assumed Liabilities on claims incurred prior to January 1, 2023* \$ 1,243,592

* See Note 3 for discussion of assumed liabilities



Other Supplementary Information
June 30, 2024

Better Health Collective

Better Health Collective
Uniform Financial Accounting and Reporting Standards Compliance Table
For the Year Ended June 30, 2024

Fiscal Compliance Report - 6/30/2024 [Help](#) [Logoff](#)
District: BETTER HEALTH COLLECTIVE (6101-50) [Back](#) [Print](#)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
Non Spendable:				Non Spendable:			
460 Non Spendable Fund Balance	\$0	\$0	\$0	460 Non Spendable Fund Balance	\$0	\$0	\$0
Restricted / Reserved:				Restricted / Reserved:			
401 Student Activities	\$0	\$0	\$0	407 Capital Projects Levy	\$0	\$0	\$0
402 Scholarships	\$0	\$0	\$0	413 Funded by CQFP	\$0	\$0	\$0
403 Staff Development	\$0	\$0	\$0	467 LTFM	\$0	\$0	\$0
407 Capital Projects Levy	\$0	\$0	\$0	Restricted:			
408 Cooperative Revenue	\$0	\$0	\$0	464 Restricted Fund Balance	\$0	\$0	\$0
412 Literacy Incentive Aid	\$0	\$0	\$0	Unassigned:			
414 Operating Debt	\$0	\$0	\$0	463 Unassigned Fund Balance	\$0	\$0	\$0
416 Levy Reduction	\$0	\$0	\$0				
417 Tacorite Building Maint	\$0	\$0	\$0	07 DEBT SERVICE			
420 American Indian Education Aid	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
424 Operating Capital	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
426 \$25 Tacorite	\$0	\$0	\$0	Non Spendable:			
427 Disabled Accessibility	\$0	\$0	\$0	460 Non Spendable Fund Balance	\$0	\$0	\$0
428 Learning & Development	\$0	\$0	\$0	Restricted / Reserved:			
434 Area Learning Center	\$0	\$0	\$0	425 Bond Refundings	\$0	\$0	\$0
435 Contracted Alt. Programs	\$0	\$0	\$0	433 Maximum Effort Loan Aid	\$0	\$0	\$0
436 State Approved Alt. Program	\$0	\$0	\$0	451 QZAB Payments	\$0	\$0	\$0
438 Gifted & Talented	\$0	\$0	\$0	467 LTFM	\$0	\$0	\$0
439 English Learner	\$0	\$0	\$0	Restricted:			
440 Teacher Development and Evaluation	\$0	\$0	\$0	464 Restricted Fund Balance	\$0	\$0	\$0
441 Basic Skills Programs	\$0	\$0	\$0	Unassigned:			
443 School Library Aid	\$0	\$0	\$0	463 Unassigned Fund Balance	\$0	\$0	\$0
448 Achievement and Integration	\$0	\$0	\$0				
449 Safe Schools Levy	\$0	\$0	\$0	08 TRUST			
451 QZAB Payments	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
452 OPEB Liab Not in Trust	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
453 Unfunded Sev & Retirement Levy	\$0	\$0	\$0	Restricted / Reserved:			
459 Basic Skills Extended Time	\$0	\$0	\$0	401 Student Activities	\$0	\$0	\$0
467 LTFM	\$0	\$0	\$0	402 Scholarships	\$0	\$0	\$0
471 Student Support/Personnel Aid	\$0	\$0	\$0	422 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
472 Medical Assistance	\$0	\$0	\$0				
Restricted:				18 CUSTODIAL			
464 Restricted Fund Balance	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
475 Title VII Impact Aid	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
476 Payments in Lieu of Taxes	\$0	\$0	\$0	Restricted / Reserved:			
Committed:				401 Student Activities	\$0	\$0	\$0
418 Committed for Separation	\$0	\$0	\$0	402 Scholarships	\$0	\$0	\$0
461 Committed Fund Balance	\$0	\$0	\$0	448 Achievement and Integration	\$0	\$0	\$0
Assigned:				464 Restricted Fund Balance	\$0	\$0	\$0
462 Assigned Fund Balance	\$0	\$0	\$0				
Unassigned:				20 INTERNAL SERVICE			
422 Unassigned Fund Balance	\$0	\$0	\$0	Total Revenue	\$44,836,092	\$44,549,450	\$286,642
				Total Expenditures	\$43,418,233	\$43,418,232	\$1
				422 Unassigned Fund Balance (Net Assets)	\$8,340,134	\$8,340,133	\$1
02 FOOD SERVICES							
Total Revenue	\$0	\$0	\$0	25 OPEB REVOCABLE TRUST			
Total Expenditures	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
Non Spendable:				Total Expenditures	\$0	\$0	\$0
460 Non Spendable Fund Balance	\$0	\$0	\$0	422 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
Restricted / Reserved:							
452 OPEB Liab Not in Trust	\$0	\$0	\$0	45 OPEB IRREVOCABLE TRUST			
Restricted:				Total Revenue	\$0	\$0	\$0
464 Restricted Fund Balance	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
Unassigned:				422 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
463 Unassigned Fund Balance	\$0	\$0	\$0				
04 COMMUNITY SERVICE				47 OPEB DEBT SERVICE			
Total Revenue	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
Non Spendable:				Non Spendable:			
460 Non Spendable Fund Balance	\$0	\$0	\$0	460 Non Spendable Fund Balance	\$0	\$0	\$0
Restricted / Reserved:				Restricted:			
426 \$25 Tacorite	\$0	\$0	\$0	425 Bond Refundings	\$0	\$0	\$0
431 Community Education	\$0	\$0	\$0	464 Restricted Fund Balance	\$0	\$0	\$0
432 E.C.F.E	\$0	\$0	\$0	Unassigned:			
440 Teacher Development and Evaluation	\$0	\$0	\$0	463 Unassigned Fund Balance	\$0	\$0	\$0
444 School Readiness	\$0	\$0	\$0				
447 Adult Basic Education	\$0	\$0	\$0				
452 OPEB Liab Not in Trust	\$0	\$0	\$0				
Restricted:							
464 Restricted Fund Balance	\$0	\$0	\$0				
Unassigned:							
463 Unassigned Fund Balance	\$0	\$0	\$0				

Better Health Collective
Schedule of Differences between UFARS and GAAP
For the Year Ended June 30, 2024

The Minnesota Department of Education has requested that the full amount of the transaction between Better Health Collective and Sourcewell be classified as a transfer for UFARS reporting to have consistent data among reporting entities for UFARS.

The following tables illustrate the differences between the audited financial statements (GAAP) and UFARS.

Audit (GAAP) Revenue	\$ 44,836,092
Reconciling Items	
Other income earned on settlement of funds withheld*	286,638
Rounding difference	4
	<u>4</u>
UFARS Revenue	<u>\$ 44,549,450</u>
Audit (GAAP) Expenses	\$ 43,418,233
Reconciling Items	
Rounding difference	1
	<u>1</u>
UFARS Expenses	<u>\$ 43,418,232</u>
Audit (GAAP) Net Position	\$ 8,340,134
Reconciling Items	
Rounding difference	1
	<u>1</u>
UFARS Net Position	<u>\$ 8,340,133</u>

*The Minnesota Department of Education has requested that Sourcewell's contribution of \$1,030,159 to Better Health Collective be recorded as a transfer for UFARS reporting purposes. This amount is included in the Statement of Revenues, Expenses, and Changes in Net Position as follows:

Miscellaneous Income	\$ 286,638
Contributions	743,521
	<u>743,521</u>
	<u>\$ 1,030,159</u>

See Note 7 to the Financial Statements for further discussion.



Independent Auditor's 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*

To the Board of Trustees
Better Health Collective
Staples, Minnesota

We have audited, 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 (*Government Auditing Standards*), the financial statements of Better Health Collective, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Better Health Collective's basic financial statements and have issued our report thereon dated November 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Better Health Collective's internal control over financial reporting (internal control) as the basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Better Health Collective's internal control. Accordingly, we do not express an opinion on the effectiveness of Better Health Collective'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 Better Health Collective'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 and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
November 25, 2024