

MAYFLOWER MUNICIPAL HEALTH GROUP
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDING JUNE 30, 2020

MAYFLOWER MUNICIPAL HEALTH GROUP
BASIC FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Steering Committee
Mayflower Municipal Health Group

Report on the Financial Statements

We have audited the accompanying financial statements of the Mayflower Municipal Health Group as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Mayflower Municipal Health Group's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

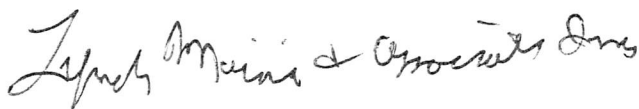
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mayflower Municipal Health Group, as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Claims Development Information on pages iii-v and 12, be presented to supplement the basic financial statements. Such 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. 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.



Norwell, Massachusetts
December 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAYFLOWER MUNICIPAL HEALTH GROUP

Management's Discussion & Analysis

June 30, 2020

The management of Mayflower Municipal Health Group (the Group) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended June 30, 2020. 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 report 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) as of June 30, 2020 and 2019 by \$34,702,817 and \$23,647,164, respectively. Net position represents 37.50% and 24.73% of total operating expenses as of June 30, 2020 and 2019, respectively.
- For the years ended June 30, 2020 and 2019, net position increased by \$11,055,173 and \$7,608,449, respectively.
- The statement of cash flows identifies the sources and uses of cash activity for the fiscal years ended June 30, 2020 and June 30, 2019 which displays a net increase in cash of \$3,389,642 and \$7,462,763 respectively.
- The claims liability for the years ended June 30, 2020 and 2019 were \$5,500,000 and \$6,350,000, respectively, representing an estimate for claims incurred but not reported.
- Reinsurance and due from provider receivables were \$6,480,101 and \$1,658,356 at the years ended June 30, 2020 and 2019, respectively. The increase during the year ended June 30, 2020 was primarily a result of the monthly deposit with insurance providers exceeding actual claims by \$6,372,267, whereas, for the year ended June 30, 2019, the monthly deposit with insurance providers exceeded actual claims by \$883,966.
- The Group did not experience any member withdrawals or additions during fiscal year 2020 or 2021 to date.

MAYFLOWER MUNICIPAL HEALTH GROUP

Management's Discussion & Analysis

June 30, 2020

Condensed Financial Information

A summary of financial information is presented:

Assets, Liabilities, Deferred Inflows of Resources and Net Position:

	<u>2020</u>	<u>2019</u>
Cash and investments	\$ 34,943,243	\$ 30,103,355
Other current assets	<u>6,502,307</u>	<u>1,737,044</u>
Total assets	41,445,550	31,840,399
Accounts payable	1,242,733	1,813,996
Claims incurred but not reported	<u>5,500,000</u>	<u>6,350,000</u>
Total liabilities	<u>6,742,733</u>	<u>8,163,996</u>
Deferred inflows of resources		28,759
Unrestricted net position	<u>\$ 34,702,817</u>	<u>\$ 23,647,644</u>

Revenues, Expenses, and Changes in Net Position:

Contributions and other	\$ 103,058,195	\$ 102,324,061
<i>less</i>		
Claims and premium expenses	85,615,807	89,162,732
Claims administration expenses	3,943,347	3,888,507
Other group expenses	<u>2,997,038</u>	<u>2,591,034</u>
Total operating expense	92,556,192	95,642,273
<i>plus</i>		
Net investment income	<u>553,170</u>	<u>926,661</u>
Change in net position	<u>\$ 11,055,173</u>	<u>\$ 7,608,449</u>

During the year ended June 30, 2020 and June 30, 2019, the ACA regulatory fees include the Patient-Centered Outcomes Research Institute (PCORI) fees of \$27,275 and \$36,208, respectively, which were included in other group expenses above.

MAYFLOWER MUNICIPAL HEALTH GROUP

Management's Discussion & Analysis

June 30, 2020

Economic Factors Affecting the Subsequent Year

The Group's Board set the rate structure for plan participation. For fiscal year 2021, the Group's Board approved rate increases of 2% for each plan. The Group authorized the use of \$3 million of net position to offset additional rate increases.

The Group is actively participating in ongoing wellness programs to promote healthier lifestyles and ultimately reduce health claims costs, as well as providing opportunities to members to purchase prescriptions through mail orders to reduce claims costs to the Group and members, and participating in other cost reducing measures with various vendors. The Group is expecting an increase in the deferral of elective medical procedures, as well as other medical treatments, as a result of the COVID-19 pandemic.

Requests for Information

This financial report is intended to provide an overview of the finances of the Group. Questions about this report or requests for additional information may be directed to the Steering Committee at 65 Cordage Park Circle, Suite 110, Plymouth, MA 02360.

BASIC FINANCIAL STATEMENTS

MAYFLOWER MUNICIPAL HEALTH GROUP

STATEMENT OF NET POSITION

JUNE 30, 2020

ASSETS

Cash and cash equivalents	\$ 16,710,181
Investments	18,233,062
Receivables:	
Reinsurance and due from provider	6,480,101
Due from members	11,776
Total receivables	<u>6,491,877</u>
Prepaid expenses and deposits	10,430
Total assets	<u>41,445,550</u>

LIABILITIES

Accounts payable	1,242,733
Estimated claims incurred but not reported	5,500,000
Total liabilities	<u>6,742,733</u>

NET POSITION

Unrestricted/total net position	<u><u>\$ 34,702,817</u></u>
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See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

MAYFLOWER MUNICIPAL HEALTH GROUP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

Operating revenues:

Member contributions:	
Medical contributions	\$ 101,012,805
Dental and vision contributions	1,771,274
Total contributions	<u>102,784,079</u>
Other income	274,116
Total operating revenues	<u>103,058,195</u>

Operating expenses:

Claims and premium expenses:	
Medical claims	83,930,450
Dental and vision premiums	1,685,357
Total claims and premium expenses	<u>85,615,807</u>
Medical claims administration fees	3,943,347
Stop loss insurance premiums	2,123,738
Regulatory fees	27,275
Professional fees and other administrative services	846,025
Total operating expenses	<u>92,556,192</u>
Operating income (loss)	<u>10,502,003</u>

Nonoperating revenues (expenses):

Investment income	648,295
Investment expense	(30,996)
Net unrealized appreciation (depreciation) of investments	(64,129)
Nonoperating income	<u>553,170</u>
Change in net position	11,055,173
Net position, beginning of year	23,647,644
Net position, end of year	<u><u>\$ 34,702,817</u></u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

MAYFLOWER MUNICIPAL HEALTH GROUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:

Cash received from participants	\$ 102,811,802
Cash received for Medicare Part D subsidy and enrollment fees	274,116
Cash paid to insurance providers and other vendors	<u>(98,799,200)</u>
Net cash provided by operating activities	4,286,718

Cash flows from investing activities:

Interest income	102,924
Transfers to investment account	<u>(1,000,000)</u>
Net cash provided by investing activities	<u>(897,076)</u>
Net increase in cash and cash equivalents	3,389,642
 Cash and cash equivalents, beginning of year	 <u>13,320,539</u>
Cash and cash equivalents, end of year	<u><u>\$ 16,710,181</u></u>

**Reconciliation of operating income to net cash provided
by operating activities:**

Operating income	\$ 10,502,003
Changes in operating assets and liabilities:	
Increase of reinsurance and due from provider receivables	(4,821,745)
Decrease of other receivables, prepaid expense and deposits	56,482
Decrease of unearned member premiums	(28,759)
Decrease of claims incurred but not reported	(850,000)
Decrease of accounts payable and other	<u>(571,263)</u>
Net cash provided (used) by operating activities	<u><u>\$ 4,286,718</u></u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

MAYFLOWER MUNICIPAL HEALTH GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Mayflower Municipal Health Group (the Group) is a Massachusetts Municipal Health Insurance Joint Purchase Group formed pursuant to Massachusetts General Laws, Chapter 32B, under a certain joint purchase agreement which became effective on July 1, 2008. The Group became operational on July 1, 2008. As a municipal 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.

Participating governmental units consist of those municipal groups that have signed an agreement for Joint Negotiation and Purchase of Medical, Health, Dental, and Life Coverage governmental agreement. At June 30, 2020, participants included the towns of Bridgewater, Halifax, Hanover, Hanson, Hull, Kingston, Marshfield, Pembroke, Plympton, Rochester, Wareham, West Bridgewater, and Whitman; Brockton Area Transit, Carver/Marion/Wareham RRDD, Dartmouth Fire District No. 3, Greater Attleboro Taunton Regional Authority, Greater New Bedford Regional Refuse Management District, North River Collaborative School, Onset Fire District, Plymouth County Retirement Association, Silver Lake Regional School District, South Shore Educational Collaborative, South Shore Regional Emergency Communication Center, South Shore Vocational School District, Southeastern Regional Transit Authority, Southfield Redevelopment Authority, Wareham Fire District, Whitman-Hanson Regional School District and the counties of Norfolk and Plymouth.

Governmental units may apply for membership and be added to the Group, commencing on a date mutually agreed upon, provided that a Board meeting is held with at least two-thirds of members units in attendance and two-thirds of the units in attendance voting in favor to accept such additional participants.

Upon entering the Group, new members are required to make contributions. Contributions are equal to the prior first or third quarter's net assets divided by the number of subscribers in the Group to derive a per-subscriber amount. The per-subscriber amount is then multiplied by the number of joining subscribers to calculate the contribution to be made. While this is the standard calculation, the Group has the ability to arrange different methods of payment to reach the same total, as approved by the Steering Committee. The contributions, if any, are included in other income.

Any participating governmental unit may withdraw participation at its discretion, but a withdrawal may only be effective at the close of June 30th of any Plan Year (July 1 to June 30). Any election by a governmental unit to terminate participation under this agreement requires written notification to the Board of such decision to withdraw no later than the December 31st that precedes the June 30th, upon which the withdrawal would be effective. Any participating governmental unit which is 60 days in arrears for payments may be terminated at the Board's discretion. Such termination shall not limit the Board from obtaining payment of all monies in arrears.

There is no liability for premium expense following the effective date of withdrawal or termination of a participating governmental unit's coverage under a contract purchased through the Group, except for the governmental unit's proportional share of any deficit in the trust as of its termination date, or of any premium expense, or any subsequent expense for its covered individuals continued on the plan after termination. The Group's Joint Purchase Agreement provides that a withdrawing or terminated participating governmental unit is not entitled to any surplus in the trust fund.

MAYFLOWER MUNICIPAL HEALTH GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (continued)

Contributions to Mayflower Municipal Health Group from participating governmental units are on a monthly basis. Contributions are set by the Board; the rates are set at amounts which, in aggregate, will fully satisfy the funding requirements of the claims trust fund (including, but not limited to, anticipated incurred claims, retention, risk, and trust administration expenses) as established through underwriting and/or actuarial estimates.

All refunds, surplus, and deficits are dealt with on a proportional and collective basis. In the case of a certified surplus, the Board determines the investment and application of the excess funds. In the case of a certified deficit, additional revenue will be raised and paid by the participating governmental units in proportion to the number of participating governmental unit's employees and retirees covered for a period of one year prior to when the deficit was incurred.

The Group offers the following self-insured plans:

- Blue Cross/Blue Shield - Network Blue HMO Traditional
- Blue Cross/Blue Shield - Network Blue NE HMO Rate Saver
- Blue Cross/Blue Shield - Network Blue NE HMO Benchmark
- Blue Cross/Blue Shield - Network Blue NE HMO High Deductible
- Blue Cross/Blue Shield - Blue Care Elect PPO Traditional
- Blue Cross/Blue Shield - Blue Care Elect PPO Rate Saver
- Blue Cross/Blue Shield - Blue Care Elect PPO Benchmark
- Blue Cross/Blue Shield - Blue Care Elect PPO High Deductible
- Harvard Pilgrim Health - HMO Traditional
- Harvard Pilgrim Health - HMO Rate Saver
- Harvard Pilgrim Health - HMO ChoiceNet Benchmark
- Harvard Pilgrim Health - HMO High Deductible
- Blue Cross/Blue Shield - Medex II

These plans are administered by Blue Cross/Blue Shield and Harvard Pilgrim for monthly administration fees based on the number of individual and family plan subscribers for a particular month.

The Group offers the following insured, premium based plans:

- Blue Cross/Blue Shield - Blue Medicare RX PDP
- Delta Dental PPO Plus Premier
- Blue Cross/Blue Shield - Blue 20/20

The Group employs the services of Gallagher Benefit Services, Inc. (GBS) to provide certain management, consulting, and technical functions and to audit medical claims paid. The current agreement with GBS is for the term ended June 30, 2020 and provides for a monthly fee based on the number of subscribers. The Group voted to extend the contract into fiscal year 2021 at the same effective rate of \$2.50 per subscriber. The agreement may be terminated by either party, at any time with 30 days prior, written notice.

The Group elects a Treasurer who collects payment from member units, pays claims and vendor expenses, oversees investments, and maintains the financial records of the Group. These services are provided through a contract with the County of Plymouth for financial oversight and financial/administrative management, for a monthly fee of \$31,500.

MAYFLOWER MUNICIPAL HEALTH GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting

The basic financial statements of the Group are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard setting body for the establishing governmental accounting and financial reporting principles.

Mayflower Municipal Health Group is a special purpose government engaged only in business-type activities. The financial statements are prepared using the accrual basis of accounting under which deductions/expenses are recorded when the liability is incurred and additions are recorded in the accounting period in which they are earned and become measurable.

Member contributions include the monthly premiums charged to each participating governmental unit and include costs for administrative services as well as insurance charges. Contributions are recorded as revenue during the period in which the Group is obligated to provide services to its members. The unearned portion of contributions for a coverage period is reported as advance collections and are recorded as deferred inflows until earned.

C. 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 those estimates.

D. Fair Value Measurement

The Group measures assets and liabilities at fair value according to the hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or liability, including the assumption of risk. The following are levels considered:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 pricing inputs that are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.
- Level 3 unobservable pricing inputs for the asset or liability that should only be used if relevant Level 1 and Level 2 inputs are not available.

The Group considers most assets and liabilities to be reported as Level 1 inputs; however, see accompanying notes for additional information regarding investments and incurred but not reported claims/liabilities.

MAYFLOWER MUNICIPAL HEALTH GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of cash on hand and cash in checking and savings accounts.

Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. Generally, investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended, and should be measured at the net asset value per share provided by the pool.

F. Due from/Claims Payable to Providers

Amounts due from providers represent quarterly settlement of monthly payments to providers in excess of actual claims at June 30, 2020. Claims payable to providers represent the amounts payable at June 30, 2020 to providers based on quarterly settlement of actual claims being higher than the agreed upon monthly payments.

G. Claims Incurred but Not Reported

The Group's obligations include estimated health claims incurred but not reported at June 30, 2020. The Group uses the latest reported claims to record the Group's outstanding liability and to estimate health claims incurred but not reported. Actual claims reported differ from claims estimated, but the Group's size and stop-loss coverage minimize 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 made.

H. Reinsurance

The Group has purchased stop loss insurance (reinsurance) to limit loss exposures. The Group has a specific excess medical and prescription drug claims reinsurance contract with an insurance carrier covering claims paid in excess of \$300,000, specific deductible per individual, with no lifetime maximum amount per participant for the year ended June 30, 2020. The policy period covers claims incurred, on a plan year, within 12 months and paid within 24 months.

The Group does not include reinsured risks as liabilities unless it is probable that the re-insurer will not cover those risks. Amounts recoverable through re-insurers on paid claims are classified as reinsurance claims receivable and as a reduction of claims expense.

I. Member Contributions

Member contributions represent the monthly premiums, as voted by all member units, charged to each member unit and include costs for administrative services and insurance charges. Premiums are recorded as revenue during the period in which the Group is obligated to provide services to its members.

MAYFLOWER MUNICIPAL HEALTH GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Affordable Care Act and Patient Centered Outcomes Research Institute Fees

The Group was required to pay \$27,275 in the year ending June 30, 2020 for the Affordable Care Act's (ACA) and Patient-Centered Outcomes Research Institute's (PCORI) fees.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Group maintains deposits in 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, 2020 deposits totaled \$16,702,624 and had a carrying amount of \$16,710,181. Differences between deposit amounts and carrying amounts generally represent outstanding checks. As of June 30, 2020, \$250,000 of the Group's deposits were covered by depository insurance and the balance was subject to a public authority deposit account pledge agreement signed with Rockland Trust Company.

The Group's investments as of June 30, 2020 are as follows:

Investment Type	Fair Value Measurement	June 30, 2020 Value
Fixed Income Mutual Funds - Domestic	Level 1	\$ 11,511,967
Equity Mutual Funds - Domestic	Level 1	4,567,533
Equity Mutual Funds - International	Level 1	1,753,492
Money Market	Amortized Cost	400,070
		<u>\$ 18,233,062</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's investment policy does not cover custodial credit risk.

Interest rate risk is the risk that changes in market interest rates 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's investment policy limits the weighted average maturity of the investments to 3 years. The approximate maturities of the Group's investments as of June 30, 2020 are as follows:

Investment Type	Value	Less than 1 Year	1 to 3 Years	3 to 5 years	5 to 10 years	10+
Fixed Income Mutual Funds - Domestic	\$ 11,511,967	\$ 1,339,879	\$ 4,610,680	\$ 3,497,894	\$ 1,591,940	\$ 471,574
Money Markets	400,070	400,070				
	<u>\$ 11,912,037</u>	<u>\$ 1,739,949</u>	<u>\$ 4,610,680</u>	<u>\$ 3,497,894</u>	<u>\$ 1,591,940</u>	<u>\$ 471,574</u>

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. Equity securities, money markets, and equity mutual funds are not rated as to credit risk. The Group's investment policy limits its investments in short-term commercial paper at no less than AA rated quality. The Group does not restrict any other investments.

MAYFLOWER MUNICIPAL HEALTH GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Credit risk of the Group's investments as of June 30, 2020 is summarized in the following table:

Investment Type	Value	Exempt from Disclosure	S&P Ratings as of Year End			
			AAA to AA	A to B	B to C	Not Rated
Fixed Income Mutual Funds - Domestic	\$ 11,511,967	\$ 1,586,053	\$ 2,332,035	\$ 7,425,464	\$ 97,916	\$ 70,499
Money Markets	400,070					400,070
	<u>\$ 11,912,037</u>	<u>\$ 1,586,053</u>	<u>\$ 2,332,035</u>	<u>\$ 7,425,464</u>	<u>\$ 97,916</u>	<u>\$ 470,569</u>

Amounts reported as exempt from disclosure are investments of fixed income mutual funds in U.S. Government Securities.

Concentration of credit risk is the risk that the Group's potential losses from credit risk are heightened if a significant portion of the Group's funds are invested with a single issuer or institution. As mentioned above in credit risk, obligations of or guaranteed by the U.S. Government are not considered to be exposed to credit risk. The Group's investment policy does not limit the amount that can be invested in any one issuer or security.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2020, the Group invested \$1,753,492 in international equity mutual funds. The Group's investment policy does not address foreign credit risk.

Investment income reported in the financial statements as of June 30, 2020 is made up of the following:

	<u>2020</u>
Interest and dividend income	\$ 513,113
Realized gain on investments	<u>135,182</u>
Total investment income	<u>\$ 648,295</u>

NOTE 3. RECEIVABLES

As of June 30, 2020, receivables of the Group consisted of the following:

	<u>2020</u>
Reinsurance	\$ 107,834
Due from providers	6,372,267
Due from members	<u>11,776</u>
	<u>\$ 6,491,877</u>

The Group pays Blue Cross Blue Shield and Harvard Pilgrim a level, monthly payment to cover the expected cost of claims for that month. The amount represents approximately one month of projected claims for the plans. There is a quarterly reconciliation and settle-up against actual claims payments made by the providers on behalf of the Group.

As of June 30, 2020, \$1,668,825 was due from Harvard Pilgrim and \$4,703,442 was due from Blue Cross Blue Shield.

MAYFLOWER MUNICIPAL HEALTH GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4. HEALTH CLAIMS INCURRED BUT NOT REPORTED

The Group establishes a liability for both reported and unreported insured events, which include estimates of both future payments of losses and related adjustment expenses, if any. Changes in the claim liability amount in fiscal year 2020 is as follows:

	<u>2020</u>
Unpaid claims and claims' adjustment expenses—beginning of year	\$ 6,350,000
Incurred claims and claims' adjustment expenses:	
Provision for insured events of the current fiscal year	85,378,584
Increase/(Decrease) in provision for insured events for prior fiscal years	<u>(1,448,134)</u>
	83,930,450
Payments:	
Claims and claims' adjustment expenses attributable to insured events of the fiscal year	(79,878,584)
Claims and claims' adjustment expenses attributable to insured events of prior fiscal years	<u>(4,901,866)</u>
	<u>(84,780,450)</u>
Total unpaid claims and claims' adjustment expenses—end of year	<u><u>\$ 5,500,000</u></u>

NOTE 5. OPERATING LEASE

The Group's leasing activities consist primarily of a rental property under the terms of an agreement with the lessor.

Effective March 1, 2019, the Group entered into a five (5) year agreement, with a renewal option for two (2) additional one (1) year terms to rent office space at 65 Cordage Park Circle, Suite 110, Plymouth, MA. The Group includes the rent expense in the professional fees and other administrative expense account. The rent expense for June 30, 2020 amounted to \$29,283. In addition, the Group incurred approximately \$20,000 of leasehold improvements/buildout costs in connection with agreement, which has been included in professional fees and other administrative expense account.

The future minimum lease payments for the next four years are as follows:

<u>Fiscal Year</u>	<u>Total</u>
2021	\$ 29,785
2022	\$ 30,455
2023	\$ 31,459
2024	\$ 21,419

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NOTE 6. COMMITMENTS AND CONTINGENCIES

Management of the Group is not aware of any pending or contemplated lawsuits against the Group, as of the date of the financial statements, which would result in a material loss to the Group.

The activities of all plans are subject to examination by appropriate state, federal and other oversight agencies.

NOTE 7. GASB PRONOUNCEMENTS RECENTLY ISSUED

The Group believes there are no future GASB pronouncements as of the date of these financial statements which will be applicable to its financial statements.

NOTE 8. SUBSEQUENT EVENTS

The Group has evaluated subsequent events through December 23, 2020, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Significant events are summarized below:

COVID-19 Pandemic

Due to the ongoing pandemic, there are significant uncertainties regarding ongoing guidelines, restrictions and potential treatments surrounding the pandemic which could have significant affects upon elective medical procedures and other treatments which may have been deferred as a result of the pandemic. The economic impact to the Group cannot be fully determined as of the date of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MAYFLOWER MUNICIPAL HEALTH GROUP
REQUIRED SUPPLEMENTARY INFORMATION
CLAIMS DEVELOPMENT INFORMATION

The table on this page illustrates how the Group's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Group as of the end of the last fiscal year. The rows in the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues, net of investment expenses (2) This line shows each fiscal year's administrative and other operating costs of the Fund including, overhead and claims' expense not allocated to individual claims. (3) This line shows the Group's incurred self-insured claims and allocated claims' adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event triggered coverage under the contract occurred (called policy year). (4) This section of rows shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section of rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest re-estimated incurred claims' amount to the originally established (line 3) and shows whether this latest estimate of claims' cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>
1. Earned participant contributions investment and other revenues	\$ 103,401,378	\$ 103,624,402	\$ 111,030,859	\$ 141,430,014	\$ 123,801,727	\$ 120,997,102	\$ 113,777,961	\$ 115,158,122	\$ 119,748,556	\$ 111,942,263
2. Fixed premiums, administrative other operating expenses	\$ 6,940,385	\$ 6,479,541	\$ 6,538,127	\$ 8,791,120	\$ 8,369,765	\$ 8,448,148	\$ 7,203,304	\$ 7,339,901	\$ 7,601,019	\$ 7,028,011
3. Estimated incurred, self-insured claims and expense, end of fiscal year	\$ 85,378,584	\$ 88,989,733	\$ 99,046,843	\$ 135,997,482	\$ 130,453,610	\$ 121,398,538	\$ 104,107,551	\$ 99,858,198	\$ 104,180,804	\$ 97,229,423
4. Paid (cumulative) as of:										
End of fiscal year	\$ 79,878,584	\$ 82,639,733	\$ 92,096,843	\$ 127,547,482	\$ 122,153,610	\$ 113,498,538	\$ 97,207,551	\$ 92,958,198	\$ 97,280,804	\$ 89,529,423
One year later		\$ 87,619,371	\$ 97,593,610	\$ 134,977,759	\$ 130,219,692	\$ 121,640,804	\$ 104,551,208	\$ 99,617,510	\$ 103,851,997	\$ 97,009,100
Two years later			\$ 97,508,687	\$ 134,875,680	\$ 130,087,458	\$ 121,675,189	\$ 105,212,419	\$ 99,617,510	\$ 103,851,997	\$ 97,009,100
Three years later				\$ 134,882,831	\$ 130,112,899	\$ 121,650,400	\$ 105,220,335	\$ 99,584,215	\$ 103,851,997	\$ 97,009,100
Four years later					\$ 130,112,899	\$ 121,642,446	\$ 105,210,419	\$ 99,584,143	\$ 103,851,997	\$ 97,009,100
Five years later						\$ 121,642,446	\$ 105,210,419	\$ 99,584,143	\$ 103,851,997	\$ 97,009,100
Six years later							\$ 105,210,419	\$ 99,584,143	\$ 103,851,997	\$ 97,009,100
Seven years later								\$ 99,584,143	\$ 103,851,997	\$ 97,009,100
Eight years later									\$ 103,851,997	\$ 97,009,100
Nine years later										\$ 97,009,100
5. Re-estimated incurred, self-insured claims and expense:										
End of fiscal year	\$ 85,378,584	\$ 88,989,733	\$ 99,046,843	\$ 135,997,482	\$ 130,453,610	\$ 121,398,538	\$ 104,107,551	\$ 99,858,198	\$ 104,180,804	\$ 97,229,423
One year later		\$ 87,619,371	\$ 97,593,610	\$ 134,977,759	\$ 130,219,692	\$ 121,640,804	\$ 104,551,208	\$ 99,617,510	\$ 103,851,997	\$ 97,009,100
Two years later			\$ 97,508,687	\$ 134,875,680	\$ 130,087,458	\$ 121,675,189	\$ 105,212,419	\$ 99,617,510	\$ 103,851,997	\$ 97,009,100
Three years later				\$ 134,882,831	\$ 130,112,899	\$ 121,650,400	\$ 105,220,335	\$ 99,584,215	\$ 103,851,997	\$ 97,009,100
Four years later					\$ 130,112,899	\$ 121,642,446	\$ 105,210,419	\$ 99,584,143	\$ 103,851,997	\$ 97,009,100
Five years later						\$ 121,642,446	\$ 105,210,419	\$ 99,584,143	\$ 103,851,997	\$ 97,009,100
Six years later							\$ 105,210,419	\$ 99,584,143	\$ 103,851,997	\$ 97,009,100
Seven years later								\$ 99,584,143	\$ 103,851,997	\$ 97,009,100
Eight years later									\$ 103,851,997	\$ 97,009,100
Nine years later										\$ 97,009,100
6. (Increase) decrease in estimated, incurred, self-insured claims and expense from the end of the original policy year.		\$ 1,370,362	\$ 1,538,156	\$ 1,114,651	\$ 340,711	\$ (243,908)	\$ (1,102,868)	\$ 274,055	\$ 328,807	\$ 220,323

See Independent Auditor's Report.