

Vermont Education Health Initiative, Inc.

Audited Financial Statements with Required Supplementary Information and Other Information

*Years ended June 30, 2026 and 2025
with Report of Independent Auditors*

Vermont Education Health Initiative, Inc.

Audited Financial Statements with Required Supplementary Information
and Other Information

Years ended June 30, 2026 and 2025

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Report of Independent Auditors

Board of Directors
Vermont Education Health Initiative, Inc.

Opinion

We have audited the financial statements of Vermont Education Health Initiative, Inc. (the Company), which comprise the statements of net position as of June 30, 2026 and 2025, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2026 and 2025, and the results of its operations and its cash flows for the years 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 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 Company'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.

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 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, 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 Company'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 Company'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 on pages 4 - 8 and accompanying required supplementary schedules listed on pages 23 - 25 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, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Company's financial statements as a whole. The combining statements of net position and combining statement of revenues, expenses and changes in net position on pages 26 - 27 are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script that reads "Johnson Lambert LLP". The signature is written in black ink and is positioned above the firm's name in the text block below.

Williston, Vermont
September 10, 2026
Vermont firm registration: 092-0000267

Vermont Education Health Initiative, Inc.

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

Management's Discussion and Analysis

The Vermont Education Health Initiative, Inc. (VEHI or the Company) is a self-funded Intermunicipal Insurance Association, operating under the authority of the Vermont Department of Financial Regulation since 2013. VEHI's mission is to offer high-quality employee benefit options and related services in a cost-effective manner on behalf of its member municipalities and a portion of the Vermont State Teacher Retirement System (VSTRS) population. As a member organization, VEHI provides a range of benefit plans for Vermont school district employees and VSTRS retirees. VEHI plays an active role in all areas of health care as well as related medical and dental benefit plan designs, financing, marketing, risk management, wellness, consumer education and customer service.

VEHI was incorporated on July 1, 1996 under the Nonprofit Corporation Act and as such all revenue is exempt from Federal and State income taxes under Internal Revenue Code Section 115.

As of October 1, 2018, VEHI is governed by the Vermont School Boards Association (VSBA) and the Vermont National Education Association (VT-NEA). VEHI has no staff but has a service agreement with both the Vermont School Boards Insurance Trust (VSBIT) and the VT-NEA to manage the organization.

Fiscal 2026 Highlights and Overall Financial Position

During the year ending June 30, 2026, VEHI partnered with Blue Cross Blue Shield of Vermont and Northeast Delta Dental to provide health insurance to 141 and dental insurance coverage to 108 school districts and related organizations.

VEHI's program contributions totaled \$408,746,054 in 2026 and gained \$3,145,943 in net investment activity. VEHI holds \$1,838,146 in contribution receivable and \$17,520,348 in claims liabilities as of June 30, 2026.

VEHI's overall net position increased by \$25.9 million in FY26: from \$35.3 to \$61.2 million. The Health Program's net position increased by \$26.8 million. The Dental Program's net position decreased by \$0.9 million.

VEHI's program contributions totaled \$372,204,620 in 2025 and gained \$3,558,852 in net investment activity. VEHI held \$1,613,184 in contribution receivable and \$14,181,348 in claims liabilities as of June 30, 2025.

VEHI's overall net position decreased by \$4.8 million in FY25: from \$40.0 to \$35.3 million. The Health Program's net position decreased by \$4.3 million. The Dental Program's net position decreased by \$0.5 million.

Vermont Education Health Initiative, Inc.

Management's Discussion and Analysis (Unaudited) (Continued)

The Financial Statements

VEHI's financial statements are a series of reports that detail financial information using enterprise fund accounting and financial reporting.

The statement of revenues, expenses, and changes in net position presents the results of VEHI's operations. The statement reports all revenues and expenses and reconciles the beginning and end of year net position balances.

The statement of net position includes all VEHI's assets and liabilities. The statement also presents the balance of assets in excess of liabilities, or net position.

The statement of cash flows supplements these statements providing relevant information about cash receipts and payments to VEHI.

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes the statements of revenues, expenses, and changes in net position for FY26 compared to FY25 and FY24.

	<u>June 30, 2026</u>	<u>June 30, 2025</u>	<u>Percentage Change</u>	<u>June 30, 2024</u>	<u>Percentage Change</u>
Operating revenues:	\$ 408,878,268	\$ 372,522,842	9.8 %	\$ 327,472,970	13.8 %
Operating expenses:					
Net change in health/dental claims paid and reserved	348,577,469	346,483,448	0.6 %	309,239,715	12.0 %
Capitation - health	1,272,372	1,255,630	1.3 %	1,248,471	0.6 %
Reinsurance and administration - health/dental	25,516,692	22,352,981	14.2 %	22,641,139	(1.3)%
Assessments	5,695,600	5,742,252	(0.8)%	5,335,726	7.6 %
Other expenses	<u>5,047,521</u>	<u>4,991,252</u>	100.0 %	<u>4,664,680</u>	- %
Total operating expenses	<u>386,109,654</u>	<u>380,825,563</u>	1.4 %	<u>343,129,731</u>	11.0 %
Net operating gain (loss)	22,768,614	(8,302,721)	(374.2)%	(15,656,761)	(47.0)%
Non-operating revenues:					
Total investment activity	<u>3,116,867</u>	<u>3,536,054</u>	(11.9)%	<u>4,360,667</u>	(18.9)%
Change in net position	25,885,481	(4,766,667)	(643.1)%	(11,296,094)	(57.8)%
Net position at beginning of year	<u>35,283,041</u>	<u>40,049,708</u>	(11.9)%	<u>51,345,802</u>	(22.0)%
Net position at end of year	<u>\$ 61,168,522</u>	<u>\$ 35,283,041</u>	73.4 %	<u>\$ 40,049,708</u>	(11.9)%

Vermont Education Health Initiative, Inc.

Management's Discussion and Analysis (Unaudited) (Continued)

The Financial Statements (Continued)

Revenues

VEHI earned \$408.9 million in operating revenues for the year ended June 30, 2026, an increase of \$36.4 million over June 30, 2025. This increase is a result of an increase in health rates between 11.3% to 11.9% for FY26 depending on the plan chosen. The majority of the subscribers elect the Gold CDHP plan. The rate increase for this plan was 11.9%. Overall, VEHI contribution revenue increased 9.8%. VEHI earned \$372.5 million in operating revenues for the year ended June 30, 2025, an increase of \$45 million over June 30, 2024. This increase is a result of an increase in health rates between 15.7% to 16.7% for FY25 depending on the plan chosen. The rate increase for the Gold CDHP, the most popular plan, was 16.4%.

Investments are held at the Wilmington Trust and with the Vanguard Group in the form of money market accounts, and mutual funds. VEHI earned \$1.8 million in interest and dividends in FY26, as compared to \$1.6 million in FY25. VEHI recorded positive market change of \$1.3 million in FY26, following a positive market change of \$1.9 million in FY25.

Expenses

VEHI's largest expense is the actual claims paid by Blue Cross Blue Shield of Vermont and Northeast Delta Dental. Claims are reimbursed directly by VEHI and totaled \$348.6 million in FY26, \$2.1 million more than the \$346.5 million FY25 claims expense. FY25 was a 12% increase over the FY24 claims expense of \$309.3 million. The large increase in health claims for FY25 is due to a variety of factors. Utilization trends were greater than expected, there were high increases for hospital services, and a sharp increase in GLP1 usage for weight loss. Effective January 1, 2026, the VEHI board voted to exclude GLP1 coverage for prescription drugs exclusively for weight loss. This, along with legislative changes to cap prices of hospital-administered medications and the Green Mountain Care Board's (GMCB) capped increases to overall hospital budgets, resulted in a lessor increase in claims costs from FY25 to FY26.

Reinsurance and administrative expenses paid to Blue Cross Blue Shield of Vermont and Northeast Delta Dental make up \$25,516,692 of total expenses in 2026, an increase of \$3,163,711 from 2025.

VEHI incurred other expenses in the amount of \$5 million in FY26, \$5 million in FY25 and \$4.7 million in FY24. The largest expense is the PATH (Planned Action Toward Health) Program available to all employees. VEHI's primary objective is to control related claims costs while helping members to obtain health and dental care in the most effective manner. PATH, VEHI's wellness program, facilitates this objective. In FY26 PATH expenses totaled \$2.4 million, serving 11,971 participants as compared to \$2.6 million serving 11,706 in FY25 and \$2.3 million serving 10,951 participants in FY24. Programming has remained the same. The increase in cost from FY24 to FY25 is due to more program participation and inflation. Other expenses also include administrative services provided to VEHI by VSBIT and the VT-NEA. For FY26, VEHI incurred expenses of \$1.8 million in accordance with administrative services contracts with these entities as compared to \$1.7 million for FY25 and \$1.5 million for FY24. The increase in cost is due to inflationary factors.

Vermont Education Health Initiative, Inc.

Management's Discussion and Analysis (Unaudited) (Continued)

The Financial Statements (Continued)

Statement of Net Position

The following table summarizes the statement of net position for 2026, with a comparison to 2025.

	<u>June 30, 2026</u>	<u>June 30, 2025</u>	<u>Percentage Change</u>	<u>June 30, 2024</u>	<u>Percentage Change</u>
Assets					
Cash, cash equivalents and investments	\$ 74,277,494	\$ 41,414,263	79.4 %	\$ 47,902,224	(13.5)%
Other assets	<u>9,725,035</u>	<u>10,675,444</u>	(8.9)%	<u>8,613,688</u>	23.9 %
Total assets	<u>\$ 84,002,529</u>	<u>\$ 52,089,707</u>	61.3 %	<u>\$ 56,515,912</u>	(7.8)%
Liabilities					
Deferred revenue	\$ 3,795,962	\$ 1,033,357	267.3 %	\$ 29,820	3,365.3 %
Other payables	<u>19,038,045</u>	<u>15,773,309</u>	20.7 %	<u>16,436,384</u>	(4.0)%
Total liabilities	22,834,007	16,806,666	35.9 %	16,466,204	2.1 %
Net position - unrestricted	<u>61,168,522</u>	<u>35,283,041</u>	73.4 %	<u>40,049,708</u>	(11.9)%
Total liabilities and net position	<u>\$ 84,002,529</u>	<u>\$ 52,089,707</u>	61.3 %	<u>\$ 56,515,912</u>	(7.8)%

Assets

Cash, cash equivalents and investments are held at the M&T Bank, Wilmington Trust and at the Vanguard Group in the form of money market accounts, a total stock market index fund and a short-term bond index fund. The balance increased 79.4% in FY26 as this year reflects the first positive change in net position following three years of losses.

Other assets totaling \$9.7 million consists mainly of a working fund deposit in the amount of \$6.6 million maintained by Blue Cross Blue Shield of Vermont. This account is a non-interest bearing cash account used to pay claims and is estimated to be one week's claims payable. VEHI also held \$1.8 million in contributions receivable as of June 30, 2026; down from \$1.6 million as of June 30, 2025.

Liabilities

VEHI collected \$3.8 million in contribution for fiscal year 2027 prior to June 30, 2026 as compared to \$1 million as of June 30, 2025. This is due to payment timing by our member schools, specifically payments from two of our largest members paid the last week of June in FY26 but paid in July for FY25. This accounts for over \$2 million of the difference between FY26 and FY25.

Vermont Education Health Initiative, Inc.

Management's Discussion and Analysis (Unaudited) (Continued)

The Financial Statements (Continued)

Other payables of \$19.0 million consist primarily of claims payable to Blue Cross Blue Shield of Vermont and Northeast Delta Dental in the amount of \$17.5 million. Claims payable as of June 30, 2025 totaled \$14.1 million. A portion of the liability is made up of claims billed in June but paid in July. In FY26 VEHI had 5 days of outstanding claims in this category, whereas FY25 only reflected 4 days. This is why the FY26 liability increased 23.6% over FY25.

Economic Factors

For fiscal year 2026, the Department of Financial Regulation approved rate increases ranging from 11.3% to 11.9% for the four plan offerings for active employees. This was an overall increase of 11.9% for active school employees.

For fiscal year 2027, the Department of Financial Regulation approved rate increases ranging from 6.6% to 7.4% for the four plan offerings for active employees. This was an overall increase of 7.4% for active school employees.

VEHI had experienced a series of events from FY23-FY25 that led to three years of loss in net position totaling over \$21 million. The events include continued higher-than-expected utilization by members, compounded years of high increases to hospital budgets, and sharp increase in the use of GLP-1s, prescribed specifically for weight loss. The VEHI board voted to exclude (at least temporarily) GLP-1s used exclusively for weight loss beginning January 1, 2026. In addition, the legislature has passed key legislation to cap prices of hospital-administered medications and the GMCB's imposed capped increases to overall hospital budgets.

The VEHI board has taken steps to rebuild the reserves including 1.3% for FY24, 2.6% for FY25, and 4.8% for FY26 adding stabilization during rate setting. However, actual claims exceeded expectations for FY24 and FY25 so no rebuild of reserves was realized.

For fiscal year 2026 and 2027, dental rates were held at the 2024 level.

Requests for Information

This financial report is designed to provide a general overview of VEHI's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Vermont Education Health Initiative, Inc., 52 Pike Drive, Berlin, VT 05602.

Vermont Education Health Initiative, Inc.

Statements of Net Position

As of June 30, 2026 and 2025

Assets	<u>2026</u>	<u>2025</u>
Cash and cash equivalents	\$ 48,547,228	\$ 7,873,363
Mutual funds, at fair value	25,730,266	33,540,900
Accrued interest receivable	156,221	54,462
Contributions receivable	1,838,146	1,613,184
Working fund deposit	6,610,000	5,980,000
Other receivables	235,248	2,052,146
Prepaid expenses	121,795	594,626
Property, plant, and equipment - net of accumulated depreciation of \$231,884 and \$113,760, respectively	<u>763,625</u>	<u>381,026</u>
Total Assets	<u>\$ 84,002,529</u>	<u>\$ 52,089,707</u>
Liabilities and Net Position		
Liabilities		
Accounts payable	\$ 888,149	\$ 991,874
Assessments payable	629,548	600,087
Advance premiums	3,795,962	1,033,357
Claims payable	7,033,023	2,525,161
Claims to be paid, net of reinsurance	10,468,689	11,627,370
Reserve for unallocated loss adjustment expenses	<u>18,636</u>	<u>28,817</u>
Total liabilities	22,834,007	16,806,666
Net Position		
Unrestricted net position	<u>61,168,522</u>	<u>35,283,041</u>
Total net position	<u>61,168,522</u>	<u>35,283,041</u>
Total Liabilities and Net Position	<u>\$ 84,002,529</u>	<u>\$ 52,089,707</u>

See accompanying notes to the financial statements.

Vermont Education Health Initiative, Inc.

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Operating Revenues		
Health contributions	\$ 399,533,668	\$ 363,365,511
Dental contributions	9,212,386	8,839,109
Grant revenue	<u>132,214</u>	<u>318,222</u>
Total operating revenues	408,878,268	372,522,842
Operating Expenses		
Claims paid and net change in claim reserves	348,577,469	346,483,448
Reinsurance - Health	5,873,551	5,100,581
Capitation - Health	1,272,372	1,255,630
Assessments	5,695,600	5,742,252
Program administration	19,643,141	17,252,400
General and administrative expenses	2,489,794	2,350,358
Wellness grants and expenses	<u>2,557,727</u>	<u>2,640,894</u>
Total operating expenses	<u>386,109,654</u>	<u>380,825,563</u>
Net operating gain (loss)	22,768,614	(8,302,721)
Non-Operating Revenues (Expenses)		
Investment income	3,145,943	3,558,852
Investment fees	<u>(29,076)</u>	<u>(22,798)</u>
Net non-operating revenues	<u>3,116,867</u>	<u>3,536,054</u>
Change in net position	25,885,481	(4,766,667)
Net position, beginning of year	<u>35,283,041</u>	<u>40,049,708</u>
Net position, end of year	<u><u>\$ 61,168,522</u></u>	<u><u>\$ 35,283,041</u></u>

See accompanying notes to the financial statements.

Vermont Education Health Initiative, Inc.

Statements of Cash Flows

Years ended June 30, 2026 and 2025

	2026	2025
Cash Flows from Operating Activities		
Cash received from health and dental contributions	\$ 411,283,697	\$ 373,847,979
Cash paid for health and dental claims	(343,421,571)	(348,800,114)
Cash paid for reinsurance, capitation and administration	(26,789,064)	(23,608,611)
Cash paid for assessments	(5,666,139)	(5,799,693)
Cash paid for general and administrative expenses	(2,002,564)	(2,712,370)
Cash paid for wellness grants and expenses	(2,425,513)	(2,323,672)
Net cash flows from operating activities	30,978,846	(9,396,481)
Cash Flows from Investing Activities		
Net change in investments	9,129,909	6,000,000
Change in working fund deposit	(630,000)	(620,000)
Cash received from interest and dividends	1,724,909	664,075
Cash paid for investment fees	(29,076)	(22,798)
Net cash flows from investing activities	10,195,742	6,021,277
Cash Flows from Capital and Related Financing Activities		
Purchase of property, plant, and equipment	(500,723)	(24,281)
Net cash flows from capital and related financing activities	(500,723)	(24,281)
Net change in cash and cash equivalents	40,673,865	(3,399,485)
Cash and Cash Equivalents, Beginning of Year	7,873,363	11,272,848
Cash and Cash Equivalents, End of Year	<u>\$ 48,547,228</u>	<u>\$ 7,873,363</u>
Reconciliation of Net Operating Gain (Loss) to Net Cash Flows From Operating Activities		
Net operating gain (loss)	\$ 22,768,614	\$ (8,302,721)
Add (deduct) items not affecting cash:		
Depreciation expense	118,124	68,227
Changes in operating assets and liabilities:		
Contributions receivable	(224,962)	639,822
Other receivables	1,816,898	(1,806,621)
Prepaid expenses	472,831	(335,650)
Accounts payable	(103,725)	(95,589)
Assessments payable	29,461	(57,441)
Advance premiums	2,762,605	1,003,537
Claims payable/claims to be paid	3,349,181	(494,248)
Reserve for unallocated loss adjustment expenses	(10,181)	(15,797)
Net cash from operating activities	<u>\$ 30,978,846</u>	<u>\$ (9,396,481)</u>

See accompanying notes to the financial statements.

Vermont Education Health Initiative, Inc.

Notes to the Financial Statements

Years ended June 30, 2026 and 2025

Note A - Organization and Nature of Operations

Vermont Education Health Initiative, Inc. (VEHI or the Company) was established in 1996 by the Vermont National Education Association (VT-NEA) and the Vermont School Boards Insurance Trust, Inc. (VSBIT) to provide schools and related organizations with health insurance and other related coverage.

VEHI is considered an Intermunicipal Insurance Association under Vermont law and is regulated by the Vermont Department of Financial Regulation. Membership in VEHI is limited to municipal school districts and their instrumentalities and agencies. VEHI currently provides health coverage to 141 schools and related organizations as of June 30, 2026 and 2025, and dental coverage to 108 and 109 schools and related organizations as of June 30, 2026 and 2025, respectively.

School Districts joining VEHI must remain members for a minimum of one year. A member may withdraw from VEHI after that time by giving ninety (90) day notice. In 2016, the Board added a twenty-four (24) month waiting period for a member to rejoin after leaving either program.

The major accounting policies followed by VEHI are presented below to assist the reader in evaluating the financial statements.

Note B - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Fund have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental entities. The Fund follows all statements in accordance with Governmental Accounting Standards Board (GASB). The Fund uses the economic resources measurement focus and the accrual basis of accounting and is accounted for as a proprietary enterprise fund.

VEHI reports itself as a business-type activity as defined in GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* (GASB 34).

Business-type activities are financed in whole or in part by fees charged to external parties.

Business-type activities distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with VEHI's principal ongoing operations. The principal operating revenues of VEHI includes health contributions and fees received from providing services. Operating expenses include health claims paid and the costs of providing services and operating all programs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Vermont Education Health Initiative, Inc.

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

VEHI adopted GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), for the year ended June 30, 2026. GASB 103 establishes targeted enhancements to the governmental financial reporting model to improve clarity, consistency, and decision-usefulness. The standard refines requirements for Management's Discussion and Analysis (MD&A), establishes standardized definitions for proprietary fund operating and nonoperating activities, and replaces extraordinary and special items with unusual or infrequent items. The adoption of GASB 103 resulted in presentation enhancements in the basic financial statements and MD&A, but had no impact on VEHI's net position or results of operations.

Risks and Uncertainties

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity, and credit risk, as further described in Note D. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported on the statements of net position.

The Company's revenue is primarily generated through membership contributions from schools and related organizations that participate in its health insurance and other related coverage programs. This reliance on a single geographic area and a limited membership base creates a concentration in its resource inflow.

Additionally, the Company operates under regulations set by the Vermont Department of Financial Regulation (the Department). These regulatory constraints could potentially affect the Fund's capacity to generate revenue, manage its financial operations, and distribute dividends. The Company consistently maintains compliance with all current regulations. While the Fund cannot independently change Vermont's regulatory framework for health insurance, it continuously monitors legislative and regulatory developments. These considerations are then integrated into the Company's financial planning and contribution-setting processes to mitigate any potential adverse impacts.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. Significant estimates included in these financial statements primarily relate to the assumptions and methods used to estimate the ultimate liability for unpaid losses and loss adjustment expenses as described below.

Vermont Education Health Initiative, Inc.

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Taxes

VEHI incorporated as a Nonprofit Corporation under the Nonprofit Corporation Act. All their revenue is exempt from Federal and State income taxes under Internal Revenue Code Section 115 which pertains to political subdivisions.

Subsequent Events

The Company has evaluated subsequent events for disclosure and recognition through September 10, 2026, the date on which these financial statements were available to be issued.

Revenue Recognition

Contributions are earned monthly in the period of coverage.

Health insurance contributions are determined by VEHI with analysis from Blue Cross and Blue Shield of Vermont and approved by the Department.

Dental insurance contributions for participating school districts are individually determined by VEHI with analysis from an independent actuarial consultant. Rates are approved by the Department.

Liability for Claims to be Paid

The liability for claims to be paid include estimates by management of incurred losses not yet paid by Blue Cross and Blue Shield of Vermont and Northeast Delta Dental on behalf of VEHI. The liability is based upon the available data of the amount necessary to cover the ultimate cost of losses, however, actual loss experience may not conform to the actuarial and statistical assumptions used in determining the estimated amounts for such liability. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Mutual Funds, At Fair Value

Mutual funds, at fair value with readily determinable fair values are reported at their fair values. Unrealized gains and losses are included in investment income on the statements of revenues, expenses, and changes in net position.

VEHI 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.

Contributions Receivable

VEHI uses the allowance method for uncollectible accounts. The allowance for doubtful accounts as of June 30, 2026 and 2025 is \$0. VEHI has not experienced any significant write offs during 2026 or 2025.

Vermont Education Health Initiative, Inc.

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Working Fund Deposit

The Working Fund Deposit consists of a non-interest bearing cash account in the amount of \$6,610,000 and \$5,980,000 at June 30, 2026 and 2025, respectively, that is maintained at Blue Cross and Blue Shield. This imprest account is used to pay claims by VEHI's claims processors. These are estimated to be one week's claims payable.

Other Receivables

Other receivables at June 30, 2026, consists of amounts recorded for admin billing and wellness expenses incurred that are reimbursable to VEHI. Other receivables at June 30, 2025, consists of amounts recorded for admin billing and wellness expenses incurred that are reimbursable to VEHI, as well as a claim-related settlement in the amount of \$1,900,000. Amounts are all deemed to be fully collectible.

Prepaid Expenses

Prepaid expenses of \$121,795 and \$594,626 as of June 30, 2026 and 2025, respectively, represents payments made during the current fiscal year for products and services to be provided during the following fiscal year.

Advance Premiums

Advance premiums of \$3,795,962 and \$1,033,357 as of June 30, 2026 and 2025, respectively, represents health and dental insurance contributions received in advance for fiscal year 2027 and 2026, respectively.

Grant Revenue

Grant revenue is made up of amounts awarded to VEHI for the PATH program. This program is committed to promoting and sustaining a healthy and safe workplace culture. VEHI recognizes grant revenue as expenses are incurred in relation to the grant awards. Grant revenue recognized for the years ended June 30, 2026 and 2025 was \$132,214 and \$318,222, respectively.

Property, Plant, and Equipment

Property, plant and equipment is capitalized when purchased. It is the Trust's policy to capitalize all property, plant and equipment with a cost of \$10,000 or more. A reserve from net position is established for the book value of the property, plant and equipment net of related debt. Straight-line depreciation is being taken over lives as follows:

Land	N/A
Building and building components	10 to 75 Years
Infrastructure	10 Years
Furniture and equipment	3 to 10 Years
Information systems	7 Years

Vermont Education Health Initiative, Inc.

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

The following is a summary of changes in property, plant and equipment during the fiscal years.

2026						
	Balance July 1	Additions	Disposals	Balance June 30	Accumulated Depreciation June 30	Net Property Plant and Equipment June 30
Information Systems	\$ 494,786	\$ 500,723	\$ -	\$ 995,509	\$ 231,884	\$ 763,625
Total	<u>\$ 494,786</u>	<u>\$ 500,723</u>	<u>\$ -</u>	<u>\$ 995,509</u>	<u>\$ 231,884</u>	<u>\$ 763,625</u>
2025						
	Balance July 1	Additions	Disposals	Balance June 30	Accumulated Depreciation June 30	Net Property Plant and Equipment June 30
Information Systems	\$ 470,505	\$ 24,281	\$ -	\$ 494,786	\$ 113,760	\$ 381,026
Total	<u>\$ 470,505</u>	<u>\$ 24,281</u>	<u>\$ -</u>	<u>\$ 494,786</u>	<u>\$ 113,760</u>	<u>\$ 381,026</u>

Note C - Affiliated Organizations and Related Party Transactions

The Company is governed by the VT-NEA and the Vermont School Boards Association (VSBA).

VSBIT and VT-NEA jointly manage VEHI.

VEHI contracts with VSBIT to provide management, wellness and accounting services. VEHI paid VSBIT \$1,529,274 and \$1,492,056 for these services in 2026 and 2025, respectively. Effective July 1, 2025, VEHI entered into a new five (5) year service agreement with VSBIT. After the end of the initial five year term, the contract automatically renews for two (2) additional three (3) year terms (commencing July 1, 2030 and July 1, 2033, respectively). The contract may be terminated without cause by either party at the expiration of the initial or renewal terms by providing at least three (3) months' prior written notice.

VEHI contracts with VT-NEA to provide program and member services. VT-NEA was paid \$241,025 and \$232,854 for services in 2026 and 2025, respectively. The fee is subject to adjustment each year.

Note D - Cash and Investments

Cash and Cash Equivalents

VEHI's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less from the date acquired by VEHI.

Vermont Education Health Initiative, Inc.

Notes to the Financial Statements (Continued)

Note D - Cash and Investments (Continued)

The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit up to the limits as prescribed by law. VEHI holds funds with financial institutions in excess of, or non FDIC insured amounts, however, VEHI has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Cash and cash equivalents as of June 30, 2026 and 2025 consist of the following:

	<u>June 30, 2026</u>	<u>June 30, 2025</u>
M&T Bank - Checking Account	\$ 1,784,685	\$ 72,252
Dreyfus Government Cash Management Institutional Fund	<u>46,762,543</u>	<u>7,801,111</u>
Total cash and cash equivalents	<u>\$ 48,547,228</u>	<u>\$ 7,873,363</u>

The custodial credit risk for cash deposits is as follows:

	<u>June 30, 2026</u>		<u>June 30, 2025</u>	
	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Insured/(FDIC)	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Uninsured, uncollateralized	<u>48,297,228</u>	<u>48,305,569</u>	<u>7,623,363</u>	<u>7,633,812</u>
Total	<u>\$ 48,547,228</u>	<u>\$ 48,555,569</u>	<u>\$ 7,873,363</u>	<u>\$ 7,883,812</u>

The difference between the book balance and the bank balance is caused by reconciling items such as deposits in transit and outstanding checks.

The checking account is linked with the Dreyfus Government Cash Management Institutional Fund such that excess balances are swept daily to maximize interest earned. The Dreyfus Government Cash Management Institutional Fund is an open-end government money market mutual fund registered under the Investment Company Act of 1940 and operates in accordance with Rule 2a-7. The fund is rated AAAM by Standard & Poor's and Aaa-mf by Moody's Investors Service. Investments in the fund are measured at net asset value (NAV) per share of \$1.00 and have daily liquidity with no redemption notice periods or maximum cap limitations.

Vermont Education Health Initiative, Inc.

Notes to the Financial Statements (Continued)

Note D - Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, VEHI will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, VEHI will not be able to recover the value of its investments or collateral securities that are in possession of another party.

The checking account with M&T Bank requires minimum daily balances, and residual amounts are transferred daily to Wilmington Trust (a subsidiary of M&T Bank) and invested in cash equivalents, specifically the Dreyfus Government Cash Management Institutional Fund.

Money market mutual funds, including the Dreyfus Government Cash Management Institutional Fund, as well as VEHI's other mutual fund investments, are open-ended investments and are not exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market 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. All of the securities in the mutual funds have maturities greater than one year.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The mutual funds are not rated.

Concentration of Credit Risk

The limitations on the amount that can be invested in any one issuer are disclosed previously in the investment policy. No investments, other than mutual funds, represented more than 5% of total investments at June 30, 2026 and 2025.

Fair Value

VEHI has the following recurring fair value measurements as of June 30, 2026 and 2025:

	2026	2025
Quoted market prices (Level 1 inputs):		
Mutual funds, at fair value	<u>\$ 25,730,266</u>	<u>\$ 33,540,900</u>

Vermont Education Health Initiative, Inc.

Notes to the Financial Statements (Continued)

Note E - Claims Payable

The claims payable of \$7,033,023 as of June 30, 2026 represents \$6,841,563 of health claims and \$191,460 of dental claims due to Blue Cross and Blue Shield of Vermont and Northeast Delta Dental for benefits actually paid by them as of June 30, 2026 but not reimbursed by VEHI as of that date.

The claims payable of \$2,525,161 as of June 30, 2025 represents \$2,295,156 of health claims and \$230,005 of dental claims due to Blue Cross and Blue Shield of Vermont and Northeast Delta Dental for benefits actually paid by them as of June 30, 2025 but not reimbursed by VEHI as of that date.

Note F - Claims To Be Paid

As discussed in Note B, VEHI establishes claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not paid or settled as of year end. Estimated amounts of reinsurance on unpaid claims are deducted from the unpaid claims. Claims liabilities are computed by management and actuaries using a variety of actuarial and statistical techniques. Adjustments to claims liabilities are charged or credited to expense in the periods in which they occur.

Claims to be paid of \$10,468,689 as of June 30, 2026 represents \$10,038,689 of health claims and \$430,000 of dental claims incurred as of June 30, 2026 but not paid by Blue Cross and Blue Shield of Vermont and Northeast Delta Dental as of that date.

Claims to be paid of \$11,627,370 as of June 30, 2025 represents \$11,262,370 of health claims and \$365,000 of dental claims incurred as of June 30, 2025 but not paid by Blue Cross and Blue Shield of Vermont and Northeast Delta Dental as of that date.

Vermont Education Health Initiative, Inc.

Notes to the Financial Statements (Continued)

Note F - Claims To Be Paid (Continued)

The following represents changes in the liability for claims to be paid and claims payable, net of the effects of reinsurance, during the years ended June 30,

	<u>2026</u>	<u>2025</u>
Liability at beginning of year, net of reinsurance and deductibles of \$379,110 and \$272,214, respectively	\$ 14,152,531	\$ 14,646,779
Provision for losses:		
Provision for insured events of the current year	353,165,138	349,478,059
Change in provision for insured events of prior years	<u>(4,587,669)</u>	<u>(2,994,611)</u>
Total provision for losses during the year	348,577,469	346,483,448
Payments:		
Claims and claims adjustment expenses attributable to insured events of the current year	(335,663,426)	(335,325,528)
Claims and claims adjustment expenses attributable to insured events of prior years	<u>(9,564,862)</u>	<u>(11,652,168)</u>
Total payments during the year	<u>(345,228,288)</u>	<u>(346,977,696)</u>
Liability at end of year, net of reinsurance and deductibles of \$163,311 and \$379,110, respectively	<u>\$ 17,501,712</u>	<u>\$ 14,152,531</u>

Effective in fiscal year 2025, VEHI has contracted with Hinge Health, Inc. to provide certain digitized care to its group health plan participants. VEHI pays Hinge Health, Inc. directly for participants use of this benefit. The estimated cost of this service is built into the annual member rating. Total claims paid balance of as of June 30, 2026 and 2025 includes payments to Hinge Health, Inc. of \$1,308,103 and \$782,625, respectively.

Note G - Insurance Activity

VEHI purchases reinsurance through Blue Cross Blue Shield of Vermont which limits the Trust's liability to \$750,000 per person per year thus protecting VEHI from large losses. VEHI does not have aggregate reinsurance.

Vermont Education Health Initiative, Inc.

Notes to the Financial Statements (Continued)

Note H - Assessments

VEHI pays various assessments based on local and federal mandates as follows:

During fiscal year 2016, the State of Vermont consolidated two programs, the Vermont Information Technology Leaders (VITL), and the Vermont Health Care Claims Assessment (HCCA). VITL fees of .199% were effective October 1, 2009 and HCCA fees of .8% were effective October 1, 2011 on claims paid and capitation payments for Vermont residents. As consolidated programs, the State of Vermont assesses a fee of .999%.

Vermont Blueprint for Health (Blueprint) – This is a State of Vermont program that pays providers based on performance and the amount paid to providers is determined by the National Committee for Quality Assurance ratings. The State of Vermont maintains a table that provides a per member per month equivalent for the results reported.

Patient Centered Outcomes Research (PCOR) – This is a Federal fee on all memberships of \$2 per member per year for policies ending in the fiscal year 2014. Thereafter, the fee will increase at the cost of medical inflation and will continue through 2029 as provided by the Further Consolidated Appropriations Act, 2020. This assessment went into effect with the Patient Protection and Affordable Care Act of 2010. The fee for fiscal year 2026 and 2025 was \$3.84 and \$3.47, respectively, per member.

Assessment fees paid to Blue Cross and Blue Shield of Vermont and Northeast Delta Dental for State and Federal mandated insurance fees were as follows:

	2026	2025
HCCA	\$ 3,509,636	\$ 3,520,374
Blueprint	2,028,854	2,075,522
PCOR	133,486	122,234
Out of State Assessments	23,624	24,122
Totals	<u>\$ 5,695,600</u>	<u>\$ 5,742,252</u>

Note I - Net Position

For the years ended June 30, 2026 and 2025, VEHI has a reserve of net position which represents an operating surplus of \$61,168,522 and \$35,283,041, respectively. This surplus will be used to help fund the health and dental programs to the reinsurance attachment point and to minimize future rate increases.

Vermont Education Health Initiative, Inc.

Notes to the Financial Statements (Continued)

Note J - Risk Management

VEHI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. VEHI maintains commercial insurance coverage. Management believes such coverage is sufficient to preclude any significant uninsured losses to VEHI. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Vermont Education Health Initiative, Inc.

Claims Development Information (Unaudited)

June 30, 2026

This table illustrates how VEHI's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by VEHI as of the end of each of the last ten years.

The rows of the table are defined as follows:

1. This line shows the gross of each fiscal year's earned contribution revenues and investment revenues.
2. This line shows each fiscal year's reinsurance and capitation premiums.
3. This line shows the net of each fiscal year's earned contribution revenues and investment revenues.
4. This line shows each fiscal year's other operating costs of VEHI including overhead and claims expense not allocable to individual claims.
5. This line shows VEHI's incurred claims and allocated claims adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
6. This section of rows shows the cumulative amounts paid as of the end of successive years for each policy year.
7. 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.
8. This line compares the latest re-estimated incurred claims amount to the amount originally established (line 5) and shows whether this latest estimate of claims cost is greater or less than originally determined.

The columns of the table show data for successive policy years.

Vermont Education Health Initiative, Inc.

Claims Development Information (Unaudited)

For the Year Ended June 30, 2026

	Fiscal and Coverage Year Ended									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
(1) Gross contributions and investment income	\$ 411,891,997	\$ 375,763,475	\$ 331,630,750	\$ 296,192,417	\$ 301,177,020	\$ 300,365,156	\$ 275,205,815	\$ 249,283,409	\$ 267,508,230	\$ 305,885,229
(2) Less: Reinsurance and capitation expenses	<u>7,145,923</u>	<u>6,356,212</u>	<u>5,680,224</u>	<u>5,045,623</u>	<u>5,301,532</u>	<u>5,611,976</u>	<u>6,330,987</u>	<u>5,131,285</u>	<u>5,190,399</u>	<u>6,424,168</u>
(3) Net earned premiums and investment income	404,746,074	369,407,263	325,950,526	291,146,794	295,875,488	294,753,180	268,874,828	244,152,124	262,317,831	299,461,061
(4) Unallocated expenses	30,415,338	27,690,479	28,006,906	23,825,918	23,885,098	24,366,800	23,672,471	22,511,368	21,770,389	21,590,201
(5) Estimated losses and allocated expenses incurred, net at the end of year:	353,165,138	349,478,059	309,351,382	272,030,485	262,587,646	271,978,150	235,855,989	229,540,314	249,083,464	264,141,456
(6) Net paid (cumulative) as of:										
End of coverage year	335,663,426	335,325,528	294,704,603	260,684,985	255,476,234	255,099,752	218,775,443	218,145,123	237,867,034	245,590,504
One year later		344,890,390	306,356,771	270,379,298	262,949,801	269,800,570	233,685,160	236,916,942	247,244,932	262,827,882
Nine years later										-
(7) Reestimated net incurred losses and allocated expenses										
End of coverage year	353,165,138	349,478,059	309,351,382	272,030,485	262,587,646	271,978,150	235,866,989	229,540,314	249,083,464	264,141,456
One year later		344,890,390	306,356,771	271,918,818	262,949,801	269,800,570	233,685,160	236,916,942	247,244,932	262,827,882
Two years later			306,356,771	271,918,818	262,949,801	269,800,570	233,685,160	236,916,942	247,244,932	262,827,882
Three years later				271,918,818	262,949,801	269,800,570	233,685,160	236,916,942	247,244,932	262,827,882
Four years later					262,949,801	269,800,570	233,685,160	236,916,942	247,244,932	262,827,882
Five years later						269,800,570	233,685,160	236,916,942	247,244,932	262,827,882
Six years later							233,685,160	236,916,942	247,244,932	262,827,882
Seven years later								236,916,942	247,244,932	262,827,882
Eight years later									247,244,931	262,827,882
Nine years later										262,827,882
(8) Increase (decrease) in estimated net incurred losses and allocated expenses from end of coverage year	<u>\$ N/A</u>	<u>\$ (4,587,669)</u>	<u>\$ (2,994,611)</u>	<u>\$ (111,667)</u>	<u>\$ 362,155</u>	<u>\$ (2,177,580)</u>	<u>\$ (2,170,829)</u>	<u>\$ 7,376,628</u>	<u>\$ (1,838,532)</u>	<u>\$ (1,313,574)</u>

Vermont Education Health Initiative, Inc.

Reconciliation of Claim Liabilities by Type of Contract (Unaudited)

Years ended June 30, 2026 and 2025

	Health		Dental		Total	
	2026	2025	2026	2025	2026	2025
Reserve for claims at beginning of year, net of reinsurance	\$ 13,557,526	\$ 14,169,892	\$ 595,005	\$ 476,887	\$ 14,152,531	\$ 14,646,779
Losses and LAE incurred relating to:						
Current year	343,864,774	340,859,132	9,300,364	8,618,927	353,165,138	349,478,059
Prior years	<u>(4,555,392)</u>	<u>(2,971,678)</u>	<u>(32,277)</u>	<u>(22,933)</u>	<u>(4,587,669)</u>	<u>(2,994,611)</u>
Total losses and LAE incurred	<u>339,309,382</u>	<u>337,887,454</u>	<u>9,268,087</u>	<u>8,595,994</u>	<u>348,577,469</u>	<u>346,483,448</u>
Losses and LAE paid relating to:						
Current year	326,984,522	327,301,606	8,678,904	8,023,922	335,663,426	335,325,528
Prior years	<u>9,002,134</u>	<u>11,198,214</u>	<u>562,728</u>	<u>453,954</u>	<u>9,564,862</u>	<u>11,652,168</u>
Total losses and LAE paid	<u>335,986,656</u>	<u>338,499,820</u>	<u>9,241,632</u>	<u>8,477,876</u>	<u>345,228,288</u>	<u>346,977,696</u>
Reserve for claims at end of year, net of reinsurance	<u>\$ 16,880,252</u>	<u>\$ 13,557,526</u>	<u>\$ 621,460</u>	<u>\$ 595,005</u>	<u>\$ 17,501,712</u>	<u>\$ 14,152,531</u>

Vermont Education Health Initiative, Inc.

Combining Statement of Net Position (Unaudited)

June 30, 2026

	Health	Dental	Total
Assets			
Cash and cash equivalents	\$ 47,858,628	\$ 688,600	\$ 48,547,228
Mutual funds, at fair value	20,136,313	5,593,953	25,730,266
Accrued interest receivable	154,005	2,216	156,221
Contributions receivable	1,762,772	75,374	1,838,146
Working fund deposit	6,610,000	-	6,610,000
Other receivables	235,248	-	235,248
Prepaid expenses	113,340	8,455	121,795
Fixed assets, net of accumulated depreciation of \$231,884	763,625	-	763,625
Total Assets	<u>\$ 77,633,931</u>	<u>\$ 6,368,598</u>	<u>\$ 84,002,529</u>
Liabilities and Net Position			
Liabilities			
Accounts payable	\$ 710,185	\$ 177,964	\$ 888,149
Assessments payable	537,404	92,144	629,548
Advance premiums	3,746,261	49,701	3,795,962
Claims payable	6,841,563	191,460	7,033,023
Claims to be paid	10,038,689	430,000	10,468,689
Reserve for unallocated loss adjustment expenses	18,636	-	18,636
Total Liabilities	21,892,738	941,269	22,834,007
Net Position			
Unrestricted	55,741,193	5,427,329	61,168,522
Total Net Position	55,741,193	5,427,329	61,168,522
Total Liabilities and Net Position	<u>\$ 77,633,931</u>	<u>\$ 6,368,598</u>	<u>\$ 84,002,529</u>

Vermont Education Health Initiative, Inc.

Combining Statement of Revenues, Expenses, and Changes in Net Position
(Unaudited)

Year ended June 30, 2026

	Health	Dental	Total
Operating Revenues			
Program contributions	\$ 399,533,668	\$ 9,212,386	\$ 408,746,054
Grant revenue	132,214	-	132,214
Total operating revenues	399,665,882	9,212,386	408,878,268
Operating Expenses			
Claims paid and net change in claim reserves	339,309,382	9,268,087	348,577,469
Reinsurance	5,873,551	-	5,873,551
Capitation	1,272,372	-	1,272,372
Assessments	5,607,106	88,494	5,695,600
Program administration	19,001,139	642,002	19,643,141
General and administrative expenses	1,999,328	490,466	2,489,794
Wellness grants and expenses	2,434,185	123,542	2,557,727
Total operating expenses	375,497,063	10,612,591	386,109,654
Net operating gain (loss)	24,168,819	(1,400,205)	22,768,614
Non-operating Revenues (Expenses)			
Investment income	2,644,162	501,781	3,145,943
Investment fees	(22,391)	(6,685)	(29,076)
Net non-operating revenues	2,621,771	495,096	3,116,867
Change in net position	26,790,590	(905,109)	25,885,481
Net position, beginning of year	28,950,603	6,332,438	35,283,041
Net position, end of year	\$ 55,741,193	\$ 5,427,329	\$ 61,168,522