Financial Statements
December 31, 2025 and 2024

Minnesota Comprehensive Health Association (MCHA)

Administrator of the Minnesota Premium Security Plan (MPSP)

Independent Auditor's Report

To the Board of Directors
Minnesota Comprehensive Health Association
St. Louis Park, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Minnesota Comprehensive Health Association (MCHA), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise MCHA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of MCHA as of December 31, 2025 and 2024, and the results of its operations and changes in net position, 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MCHA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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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 MCHA's ability to continue as a going concern for one year after the date that the financial statements are available to be issued, 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MCHA'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 MCHA'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

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2026, on our consideration of the MCHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MCHA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MCHA's internal control over financial reporting and compliance.

Eide Bailly LLP

Minneapolis, Minnesota
June 29, 2026

	2025	2024
Assets		
Current Assets		
Cash	$ 245,828	$ 108,114
Prepaid assets	20,600	21,260
Receivables		
Due from primary government for administration of MPSP	318,620,055	261,605,013
Total current assets	318,886,483	261,734,387
Right to Use Leased Assets, Net	20,220	5,775
Total Assets	$ 318,906,703	$ 261,740,162
Liabilities and Net Position		
Current Liabilities		
Grant liability	$ 231,582	$ 96,649
Accounts payable	34,846	32,725
Current maturities of lease liability	14,091	5,775
Due to health issuers	318,620,055	261,605,013
Total current liabilities	318,900,574	261,740,162
Long-Term Lease Liability, Less Current Maturities	6,129	-
Total liabilities	318,906,703	261,740,162
Total net position	-	-
Total Liabilities and Net Position	$ 318,906,703	$ 261,740,162

	2025	2024
Operating Revenues		
Grant revenue	$ 319,132,721	$ 262,059,428
Premium Security Plan Reinsurance Expenses Incurred	318,620,055	261,605,013
Gain Before Grant Expenditures	512,666	454,415
Operating Administrative Grant Expenditures		
Administrative and general	3,000	2,402
Office lease	14,162	13,615
Insurance	18,482	19,157
Professional fees	244,228	207,852
Consulting fees	232,772	211,254
Other expenses	22	135
Total operating administrative grant expenditures	512,666	454,415
Excess of Operating Revenues Over Benefit and Other Expenses	$ -	$ -

	2025	2024
Operating Activities		
Grants received	$ 262,252,612	$ 207,404,615
Premium security plan reinsurance expenses paid	(261,605,013)	(206,969,230)
Administrative grant expenditures paid	(509,885)	(455,575)
Net Cash From (Used for) Operating Activities	137,714	(20,190)
Net Change in Cash	137,714	(20,190)
Cash, Beginning of Year	108,114	128,304
Cash, End of Year	$ 245,828	$ 108,114
Reconciliation of Operating Income to Net Cash From (Used for) Operating Activities		
Excess of revenues over benefit and other expenses	$ -	$ -
Changes in assets that relate to operations:		
Due from primary government for administration of MPSP	(57,015,042)	(54,635,783)
Prepaid expenses	660	375
Changes in liabilities that relate to operations:		
Grant liability	134,933	(19,030)
Accounts payable	2,121	(1,535)
Due to health insurers	57,015,042	54,635,783
Net Cash From (Used for) Operating Activities	$ 137,714	$ (20,190)

Note 1 - Summary of Significant Accounting Policies

Principal Business Activity

Minnesota Comprehensive Health Association (MCHA or the Company) was created as a not-for-profit association under the provisions of the Minnesota Comprehensive Health Insurance Act of 1976 (the Act). MCHA's purpose is to promote the public health and welfare of the people of Minnesota by making available certain health insurance plans, as described in the Act, to residents of the state who are not otherwise able to obtain such coverage in the marketplace. With the passage of the Patient Protection and Affordable Care Act the primary purpose of MCHA was eliminated and they ceased writing business at the end of December 31, 2014.

Minnesota session law chapter 13 was enacted during the 2017 legislative session. This law amended the function of MCHA to become an administrator for the Minnesota Premium Security Plan (MPSP), a risk mitigation program designed to help keep premiums affordable to individual purchasers within the State of Minnesota. The Premium Security Plan was created in the State of Minnesota. Funds provided or receivable for relevant costs incurred for payment to issuers under the Premium Security Plan are reported by the State. A grant was provided to MCHA during 2017 to fund the operational costs of preparing for this new function and the entity is included as a component unit of the State of Minnesota given their primary mission of supporting the governmental operations. Effective July 1, 2019, the 2017 grant was updated and clarified to reflect the funding described by Statute to support the statutory structure of the additional funds to support the administrative function as well as provide funding for payment of the reinsurance expenses related to the 2018 benefit year. During 2022, coinsurance expenses increased from 60% to 80% and there were no changes to these rates through December 31, 2025.

Minnesota received authority from the U.S. Department of Health and Human Services and the U.S. Department of Treasury to operate a state-run reinsurance program between 2018-2022 via a 1332 waiver. States must reapply to continue this program every five years. In July 2022, Commerce was authorized to continue the Premium Security Plan through 2027, with program funding through benefit year 2026 and authority to assess participating carriers for final 2027 funding.

The financial statements of MCHA are included as a component unit of the state of Minnesota's Annual Comprehensive Financial Report (ACFR). The financial statements are, therefore, required to be prepared in accordance with accounting standards prescribed by the Governmental Accounting Standards Board (GASB).

Cash

As of December 31, 2025 and 2024, MCHA held all balances in cash accounts. MCHA maintains cash balances at certain financial institutions and throughout the year that may exceed federally insured limits. As of December 31, 2025 and 2024, the Company had $0 held with financial institutions that was in excess of federally insured limits and was fully uncollateralized.

Prepaid Assets

Operating obligations and contractual obligations paid before their due date are recorded as an asset until the related expense is incurred.

Right to Use Leased Assets

Right to use leased assets are recognized at the lease commencement date and represent MCHA's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the same method amortizing the debt. The Company has only one lease as of December 31, 2025, that extends through May 31, 2027.

Lease Liabilities

Lease liabilities represent the MCHA's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the MCHA.

Grants

Grants arise primarily under contractual agreements with government entities for operating costs and administration of the premium security plan. These agreements represent exchange transactions between MCHA and the grantors. Revenues are recognized under these agreements as qualifying expenses are incurred. The remaining amounts of grant funds received are recorded in the grant liability until expenses are incurred, or the grant expires, and funds are returned to the grantor.

Revenue Recognition

Revenue is recognized when earned. Revenue from the reinsurance program of the MPSP are earned concurrent with the benefits incurred by the MPSP.

Income Taxes

The Internal Revenue Service (IRS) has determined that MCHA is qualified as a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code and is exempt from federal taxation. Additionally, under the provisions of state law, MCHA is exempt from state taxation. Accordingly, no provision for income taxes has been made in the financial statements and they are exempted from filing an informational return.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2025 and 2024, the unrecognized tax benefits accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimate in the accompanying financial statements is MCHA's estimate of MPSP funds receivable and payable as of December 31, 2025, and 2024. Management considers subsequent events through the date of issuance to limit changes in these estimates from estimates reported to actual amounts collected.

Adoption of New Accounting Standard

As of January 1, 2025, MCHA adopted GASB Statement No. 103, *Financial Reporting Model Improvements.* This statement enhances the clarity and consistency of financial reporting requirements related to the following areas: 1) Management's discussion and analysis 2) Proprietary fund reporting 3) Unusual or Infrequent Items and 4) Budgetary comparison schedules. The Company has elected to omit Management's discussion and analysis as well as the budgetary comparison schedules, consistent with previous years. There were no unusual or infrequent items identified by the Company during the years ended December 31, 2025 and 2024.

Note 2 - Commitments and Contingencies

MCHA is involved in various claims and proceedings that arose in the ordinary course of business. While these actions are being contested, the outcome of individual matters is not predictable. MCHA does not believe that any liability resulting from any of the actions will have a material adverse effect on its financial position, cash flows or liquidation.

Note 3 - Grant Revenue and Expenditures

MCHA received a grant from the State of Minnesota in 2018 of $750,000 for operating costs related to preparation of administrative services to the Premium Security Plan. Various amendments have been approved between 2018 and 2023 to increase the grant funding to cover these operating costs over the years. During 2024, the grant was amended to provide additional operational funding of $421,450, for a total grant amount of $2,879,305. MCHA expended $512,666 and $454,415 from the grant award for the years ended December 31, 2025 and 2024, respectively. The total obligation under the grant for the MPSP was $318,620,055 and $245,113,998 for benefit years 2025 and 2024, respectively. The payment parameters were reviewed and updated for 2025 and 2024 in accordance with the statue. The order of funds made available to satisfy the obligation is established by the grant.

The approximate source of grant revenue earned by MCHA for the years ended December 31:

	2025	2024
Federal funds	$ 179,338,912	$ 129,884,177
State funds - general funds	139,793,809	132,175,251
Total grant revenue	$ 319,132,721	$ 262,059,428

Note 4 - Leases

MCHA leases office space for its operations as its only lease. The lease automatically renews at the end of the contract period, unless prior notice is given by the lessee. The lease liability was valued using a discount rate of 4.0% based on MCHA's incremental borrowing rate at the inception of the lease. Rental expense includes rent expense stated in the rental contract along with common area maintenance and miscellaneous charges. Rental expense for the years ended December 31, 2025 and 2024, was $14,162 and $13,615, respectively.

The lessor also has the option to non-renew utilizing the same notice requirements of MCHA. MCHA has renewed the lease through May 31, 2027. Currently that is the best estimate by the Company of the full lease term.

Total right-to-use assets and lease liabilities at December 31, 2025 and 2024, were as follows:

	Balance December 31, 2024	Additions	Deletions	Balance December 31, 2025	Due Within One Year
Leases	$ 5,775	$ 23,486	$ (9,041)	$ 20,220	$ 14,091

	Balance January 1, 2023	Additions	Deletions	Balance December 31, 2024	Due Within One Year
Leases	$ 5,544	$ 12,320	$ (12,089)	$ 5,775	$ 5,775

Remaining principal and interest payments on the lease is as follows:

Years Ending December 31,	Principal	Interest
2026	$ 14,091	$ 555
2027	6,129	61
	$ 20,220	$ 616

Right to use leased assets for the year ended December 31, 2025, are as follows:

	Balance December 31, 2024	Additions	Deletions	Balance December 31, 2025
Right to use leased assets being amortized				
Builiding	$ 52,044	$ 23,486	$ -	$ 75,530
Less accumulated amortization				
Building	$ (46,269)	$ (9,041)	$ -	(55,310)
Net right to use leased assets	$ 5,775			$ 20,220

Right to use leased assets for the year ended December 31, 2024, are as follows:

	Balance January 1, 2024	Additions	Deletions	Balance December 31, 2024
Right to use leased assets being amortized				
Builiding	$ 40,210	$ 11,834	$ -	$ 52,044
Less accumulated amortization				
Building	$ (34,666)	$ (11,603)	$ -	(46,269)
Net right to use leased assets	$ 5,544			$ 5,775

Note 5 - Related Party Transactions

Certain members of MCHA's Board of Directors are employed by health issuers that are eligible to participate in the reinsurance program of MPSP. The terms of the reinsurance program are established by statute, approved by the commissioner of insurance and published annually. All transactions are arm's length for all participants eligible to receive benefits in the MPSP.

Note 6 - Subsequent Events

MCHA has evaluated subsequent events through June 29, 2026, the date the financial statements were available to be issued.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Minnesota Comprehensive Health Association
St. Louis Park, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Minnesota Comprehensive Health Association (MCHA)as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise MCHA's basic financial statements and have issued our report thereon dated June 29, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MCHA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MCHA's internal control. Accordingly, we do not express an opinion on the effectiveness of MCHA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

Minneapolis, Minnesota
June 29, 2026