

College Association of Liability Management

Financial Report
June 30, 2021

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RSM US LLP

Independent Auditor's Report

Board of Trustees
College Association of Liability Management

Report on the Financial Statements

We have audited the accompanying financial statements of College Association of Liability Management (CALM) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the entity'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 audits. We conducted our audits 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 of 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 financial position of College Association of Liability Management as of June 30, 2021 and 2020, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Management has omitted the required Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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.

RSM US LLP

Oklahoma City, Oklahoma
December 22, 2021

College Association of Liability Management

Statements of Net Position

June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,118,755	\$ 1,291,828
Total assets	\$ 1,118,755	\$ 1,291,828
Liabilities and Net Position		
Liabilities:		
Accrued liabilities	\$ 19,328	\$ 19,328
Advance premiums	55,000	-
Claims advance	92,654	92,654
Performance rebates payable to members	358,529	358,529
Policy and contract retention reserves	11,566	11,566
Total liabilities	537,077	482,077
Unrestricted net position	\$ 581,678	\$ 809,751

See notes to financial statements.

College Association of Liability Management

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020**

	2021	2020
Operating revenues:		
Premium income	<u>\$ 2,120,189</u>	<u>\$ 2,061,700</u>
Operating expenses:		
Insurance premiums	1,597,589	1,557,000
Administrative fees	491,850	475,077
General and administrative	19,649	20,022
Total operating expenses	<u>2,109,088</u>	<u>2,052,099</u>
Operating income	11,101	9,601
Nonoperating revenues:		
Interest income	72	6,520
Other income	-	239,246
Total nonoperating revenues	<u>72</u>	<u>245,766</u>
Change in net position before distributions to members	11,173	255,367
Distributions to members	<u>(239,246)</u>	-
Change in net position	(228,073)	255,367
Net position at beginning of year	<u>809,751</u>	<u>554,384</u>
Net position at end of year	<u>\$ 581,678</u>	<u>\$ 809,751</u>

See notes to financial statements.

College Association of Liability Management

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Premium income received	\$ 2,175,189	\$ 2,031,700
Other income received	-	239,246
Distributions paid	(239,246)	-
Cash payments for insurance premiums	(1,597,589)	(1,557,000)
Cash payments for administrative fees	(491,850)	(475,077)
Performance rebates received from CompSource payable to members	-	358,529
Performance rebates paid	-	(180,633)
Other cash payments to suppliers	(19,649)	(11,444)
Net cash provided by (used in) operating activities	(173,145)	405,321
Cash flows from investing activities:		
Interest income received	72	6,520
Net cash provided by investing activities	72	6,520
Change in cash and cash equivalents	(173,073)	411,841
Cash and cash equivalents at beginning of year	1,291,828	879,987
Cash and cash equivalents at end of year	\$ 1,118,755	\$ 1,291,828
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 11,101	\$ 9,601
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Other income received or (distributions paid)	(239,246)	239,246
Changes in operating assets and liabilities:		
Performance rebates payable to members	-	177,896
Accrued liabilities	-	8,578
Advance premiums	55,000	(30,000)
Net cash provided by (used in) operating activities	\$ (173,145)	\$ 405,321

See notes to financial statements.

College Association of Liability Management

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies

Organization: College Association of Liability Management (CALM) was organized on January 16, 1997, with the state of Oklahoma, as an Interlocal Cooperation Act Agency of Colleges and Universities to provide a workers' compensation insurance plan for participating colleges and universities through CompSource Mutual Insurance Company (CompSource Mutual). The CALM Workers' Compensation Plan (the Plan) became effective July 1, 1997.

CALM is governed by a Board of Trustees elected from members of the 16 participating colleges and universities. Title to all assets acquired by CALM is vested in it. In the event of termination, such property shall belong to the then members of CALM in equal shares. Each participating university pays for all costs, premiums or other fees attributable to its respective participation in any plan, policy or service created in the establishing agreement and the service agreement with CompSource Mutual. Each university is responsible for its obligation under any contract entered into with CALM.

Basis of accounting: For financial reporting purposes, CALM is considered a special-purpose government engaged only in business-type activities, more specifically an enterprise fund. Accordingly, CALM's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Policy and contract retention: CALM's liability for policy and contract retention is generally limited to the prior three policy periods. Each individual member's liability is limited to its specific retention level (amount set aside each policy period to pay claims for member employees) for each policy period. Actual member claims in excess of the retention level for a policy period are covered by a stop-loss insurance agreement with CompSource Mutual (see Note 4). Unused retention for a policy period accrues to the benefit of the specific member upon expiration of the three-year period. Each member with unused retention may elect a refund or receive credit toward the following year's premium. Subsequent qualifying claims for a policy period in which the member's unused retention was either refunded or applied as a credit is the sole liability of the member.

Revenue recognition: Contracts with member universities are for a one-year period beginning July 1 through June 30. Premiums are determined on a member-by-member basis and are due at the beginning of each contract period and are recognized as revenue over the period of the contract. Each university's premium is based on its loss history for the last five years with the last three years having greater significance. Premiums received in advance are amounts received in excess of amounts due and for which coverage has not been provided. Each premium includes an amount designated to cover administrative expenses of CALM, which is determined annually by the Board of Trustees

Classification of revenues: CALM has classified its revenues as either operating or nonoperating revenues. Operating revenues include transactions that constitute CALM's principal ongoing operations, such as member premiums. Nonoperating revenues consist of other revenue sources that do not meet the operating revenue criteria.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and such amounts could be significant.

Income taxes: CALM is a public entity organized under the laws of the state of Oklahoma and, as such, is considered to be an instrumentality of a political subdivision exempt from federal income taxes under Internal Revenue Code section 115. As such, CALM would also not be subject to state income taxes. A private letter ruling on CALM's tax-exempt status has not been requested.

College Association of Liability Management

Notes to Financial Statements

Note 2. Deposits

Custodial credit risk: Custodial credit risk is the risk that in the event of failure of a counterparty, CALM will not be able to recover the value of its deposits. Deposits are exposed to custodial credit risk if they are uninsured or uncollateralized.

CALM does not have a written policy for custodial credit risk. As of June 30, 2021 and 2020, CALM had cash on deposit with financial institutions totaling \$1,118,755 and \$1,291,830, respectively, which is either insured via federal deposit insurance or collateralized by U.S. government obligations and accordingly has no credit risk.

Note 3. First Dollar Insurance

First dollar coverage insurance became available to group members on July 1, 2000. Under the first dollar coverage program, premiums are calculated each year based upon payrolls by class code and modified for experience. CompSource Mutual places an initial amount in escrow in the name of CALM in order to fund a claims payment account for the first dollar coverage group. CALM, through its third-party administrator, bills CompSource Mutual on a monthly basis for claim payments made in the preceding month. All monies remaining in escrow and not utilized by CALM will be returned to CompSource Mutual upon request.

First dollar coverage group members are eligible for performance rebates based upon loss performance ratios. The loss performance ratios are calculated 18 months after the inception date of each policy. The calculation is made by CompSource Mutual using loss development factors and trend factors to incurred losses. If an individual member achieves a loss ratio less than 70%, that member is entitled to a 5% rebate of their first dollar coverage premium. If the loss ratio is less than 50%, the member is entitled to a rebate of 10% of their premium. Rebates earned by members are paid by CompSource Mutual or result in reduced premiums under the first dollar coverage program and, as a result, are not reflected as a liability of CALM. During 2021, CALM did not receive or pay rebates. During 2020, CALM received rebates totaling \$358,529 and paid rebates totaling \$180,633. Subsequent to June 30, 2021, CALM received rebates of \$338,225 and paid rebates of \$213,116.

Note 4. Policy and Contract Retention

Policy and contract retention reserves provide for reported claims on a case-by-case basis. Policy and contract retention reserves not required to settle claims will be returned to the member or used to reduce future premium costs of the member. The following reconciles the changes in aggregate policy and contract retention liabilities for the years ended June 30:

	2021	2020
Policy and contract retention reserves at beginning and end of year	\$ 11,566	\$ 11,566
Current portion of policy and contract retention reserves	\$ 11,566	\$ 11,566

At June 30, 2021 and 2020, total policy and contract retention reserves approximated the aggregate amount of unused member retention levels. The entire balance of retention reserves relate to the 2016 year.

College Association of Liability Management

Notes to Financial Statements

Note 5. Related Parties and Administrative Fees

CALM uses the services of Consolidated Benefits Resources (CBR), operating as a third-party administrative claims management program, for the prevention, investigation, processing, accounting and payment of workers' compensation claims. During the years ended June 30, 2021 and 2020, CBR was paid a total of \$308,479 and \$297,166, respectively, for these services. CALM also paid The Beckman Company (Beckman), which is a related party as Beckman serves in the role of executive director of CALM, a total of \$183,371 and \$177,911 in 2021 and 2020, respectively, to provide services for workers' compensation marketing and various administrative responsibilities. The fees are based on an agreed-upon percentage of the adjusted CompSource Mutual annual premium.

Note 6. Contingencies

Insurance: The insurance agreements with CompSource Mutual minimize losses that could arise from excess workers' compensation claims or those of an unusual nature. Although the ceding of insurance does not discharge CALM from its primary responsibility to its member school districts, the insurance company that provides the stop-loss coverage assumes the related liability when an individual member's claims exceed its specific retention level within a policy period.

For accounting purposes, it is the practice of the original insurer, to the extent of the coverage ceded, to treat such risks as though they are not liable. Failure of the stop-loss carrier to honor its obligation could result in losses to CALM. CALM's management evaluates the financial condition of its carrier to minimize its exposure to significant losses and believes the carrier presently used is financially sound and will be able to meet its contractual obligations.

COVID-19 implications: A pandemic, epidemic or outbreak of an infectious disease could adversely impact CALM. Due to the evolving and highly uncertain nature of COVID-19, it currently is not possible to provide an estimate of any potential financial exposure or the indirect effect the outbreak may have on CALM's results of operations, financial condition or liquidity. CALM will continue to monitor the effects of COVID-19.

Note 7. Other Income and Distributions Paid

During 2020, CALM received payments from CompSource Mutual in the amount of \$239,246 as part of a class action settlement with CompSource Mutual in accordance with a court approved distribution method. The payments received were paid by CALM as a distribution of dividends to its members in 2021 totaling \$239,246.