College Association of Liability Management

Financial Report
June 30, 2023

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Independent Auditor's Report

Board of Trustees
College Association of Liability Management

Opinion
We have audited the financial statements of the business-type activities, of the College Association of Liability Management (CALM), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise CALM's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of CALM as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof 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 CALM 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 CALM's ability to continue as a going concern for 12 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 opinions. 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 CALM'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 CALM'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.

Other Matter
Management has omitted 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 18, 2023

College Association of Liability Management

Statements of Net Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 1,107,416	$ 1,092,083
Other current assets	3,610	-
Total assets	$ 1,111,026	$ 1,092,083
Liabilities and Net Position		
Liabilities:		
Accrued liabilities	$ 13,233	$ 26,722
Advance premiums	39,941	-
Claims advance	92,654	92,654
Performance rebates payable to members	323,166	338,225
Policy and contract retention reserves	-	11,566
Total liabilities	468,994	469,167
Unrestricted net position	$ 642,032	$ 622,916

See notes to financial statements.

College Association of Liability Management

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022
Operating revenues:		
Premium income	**$ 2,141,032**	$ 2,134,316
Operating expenses:		
Insurance premiums	**1,608,840**	1,593,123
Administrative fees	**509,240**	509,240
General and administrative	**32,334**	13,234
Total operating expenses	**2,150,414**	2,115,597
Operating (loss) income	**(9,382)**	18,719
Nonoperating revenues:		
Interest income	**15,942**	153
Other income	**12,556**	22,366
Total nonoperating revenues	**28,498**	22,519
Change in net position	**19,116**	41,238
Net position at beginning of year	**622,916**	581,678
Net position at end of year	**$ 642,032**	$ 622,916

See notes to financial statements.

College Association of Liability Management

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Premium income received	$ 2,180,973	$ 2,079,316
Other income received	990	22,366
Cash payments for insurance premiums	(1,608,840)	(1,593,123)
Cash payments for administrative fees	(509,240)	(509,240)
Performance rebates received	323,166	338,225
Performance rebates paid	(338,225)	(358,529)
Other cash payments to suppliers	(49,433)	(5,840)
Net cash used in operating activities	(609)	(26,825)
Cash flows from investing activities:		
Interest income received	15,942	153
Net cash provided by investing activities	15,942	153
Change in cash and cash equivalents	15,333	(26,672)
Cash and cash equivalents at beginning of year	1,092,083	1,118,755
Cash and cash equivalents at end of year	$ 1,107,416	$ 1,092,083
Reconciliation of operating (loss) income to net cash used in operating activities:		
Operating (loss) income	$ (9,382)	$ 18,719
Adjustments to reconcile operating (loss) income to net cash used in operating activities:		
Other income received	990	22,366
Changes in operating assets and liabilities:		
Other assets	(3,610)	-
Performance rebates payable to members	(15,059)	(20,304)
Accrued liabilities	(13,489)	7,394
Advance premiums	39,941	(55,000)
Net cash used in operating activities	$ (609)	$ (26,825)

See 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 regulated by the Oklahoma Insurance Department.

CALM is governed by a Board of Trustees elected from members of the 17 participating colleges and universities. Title to all assets acquired by CALM is vested in CALM. 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. CALM's intent in regard to its agreement with CompSource Mutual is to transfer all risk related to claims losses incurred by its members. As such, CALM does not record or present any claims expense or related reserve for losses within its financial statements.

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.

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.

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, 2023 and 2022, CALM had cash on deposit with financial institutions totaling $1,202,830 and $1,225,494, 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 placed 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 2023, CALM received rebates of $323,166 and paid rebates of $338,225. During 2022, CALM received rebates of $338,225 and paid rebates of $358,529.

Note 4. 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. CBR was paid a total of $320,546 for each of the years ended June 30, 2023 and 2022. The Beckman Company (Beckman), which is a related party as Beckman serves in the role of executive director of CALM, was paid a total of $188,694 for each of the years ended June 2023 and 2022, 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 5. 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.