

ASSOCIATION OF INSURANCE AND REINSURANCE
RUN-OFF COMPANIES, INC.

FINANCIAL REPORT

DECEMBER 31, 2016

ASSOCIATION OF INSURANCE AND REINSURANCE
RUN-OFF COMPANIES, INC.

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Cunningham,
Porter and Phillips

Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Association of Insurance and Reinsurance
Run-Off Companies, Inc.

We have reviewed the accompanying statements of financial position of the Association of Insurance and Reinsurance Run-Off Companies, Inc. (the "Association") as of December 31, 2016 and 2015, and the related statements of activity and cash flows for the years then ended, and the related notes to the financial statements. A review involves primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Cunningham, Porter & Phillips".

CUNNINGHAM, PORTER AND PHILLIPS
Certified Public Accountants

May 5, 2017

ASSOCIATION OF INSURANCE AND REINSURANCE
RUN-OFF COMPANIES, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

(See Accountants' Review Report)

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 525,612	\$ 523,095
Accounts Receivable	2,285	2,725
Prepaid Expenses	276	-
	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 528,173</u>	<u>\$ 525,820</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts Payable and Accrued Expenses	\$ 27,156	\$ 41,213
Deferred Partner Dues	12,000	6,000
Deferred Membership Dues	98,000	74,000
	<hr/>	<hr/>
<u>TOTAL LIABILITIES</u>	137,156	121,213
<u>NET ASSETS - Unrestricted</u>	<u>391,017</u>	<u>404,607</u>
	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 528,173</u>	<u>\$ 525,820</u>

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

ASSOCIATION OF INSURANCE AND REINSURANCE
RUN-OFF COMPANIES, INC.

STATEMENTS OF ACTIVITY

FOR THE YEARS ENDED DECEMBER 31,

(See Accountants' Review Report)

	<u>2016</u>	<u>2015</u>
<u>REVENUES</u>		
Membership Dues and Designation Fees	\$ 192,000	\$ 191,336
Event Income	145,800	175,268
Investment Income	5,908	9,330
Partner Fee Income	72,000	64,160
Advertising Income	<u>2,200</u>	<u>12,775</u>
<u>TOTAL REVENUES</u>	417,908	452,869
<u>EXPENSES</u>		
Event Expenses	149,409	144,042
Management Fees	149,998	152,940
Newsletter	55,681	57,010
Other Operating and Administrative Expenses	<u>76,410</u>	<u>67,120</u>
<u>TOTAL EXPENSES</u>	<u>431,498</u>	<u>421,112</u>
<u>CHANGE IN NET ASSETS</u>	(13,590)	31,757
<u>NET ASSETS - Unrestricted - Beginning of Year</u>	<u>404,607</u>	<u>372,850</u>
<u>NET ASSETS - Unrestricted - End of Year</u>	<u>\$ 391,017</u>	<u>\$ 404,607</u>

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

ASSOCIATION OF INSURANCE AND REINSURANCE
RUN-OFF COMPANIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

(See Accountants' Review Report)

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (Decrease) in Net Assets	\$ (13,590)	\$ 31,757
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided By (Used By) Operating Activities:		
(Increase) Decrease In:		
Accounts Receivable	440	(140)
Prepaid Expenses	(276)	-
Increase (Decrease) In:		
Accounts Payable and Accrued Expenses	(14,057)	13,688
Deferred Revenue	30,000	(19,000)
	<u>2,517</u>	<u>26,305</u>
<u>NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES</u>	2,517	26,305
<u>CASH AT BEGINNING OF YEAR</u>	<u>523,095</u>	<u>496,790</u>
<u>CASH AT END OF YEAR</u>	<u>\$ 525,612</u>	<u>\$ 523,095</u>

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

ASSOCIATION OF INSURANCE AND REINSURANCE
RUN-OFF COMPANIES, INC.

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed by the Association of Insurance and Reinsurance Run-Off Companies, Inc. (the "Association") are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The process of preparing financial statements on the accrual basis of accounting requires the use of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Flows

The Association presents its cash flows statement using the indirect method. For purposes of cash flow presentation, the Organization considers currency on hand, demand deposits, certificate of deposits and savings accounts with financial institutions to be cash and cash equivalents.

Functional Allocation of Expenses

The Association allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification.

Advertising

The Association uses advertising to promote its programs among the audience it serves. It is the Association's policy to expense advertising costs as incurred.

2. ENTITY AND EXEMPT STATUS

Form of Entity

The Association of Insurance and Reinsurance Run-off Companies, Inc., was incorporated on December 14, 2004, under the nonprofit corporation law of the State of New York and was organized on a non-stock basis. The Association is a not-for-profit corporation as described in Section 501(c)(6) of the Internal Revenue Code (the "Code"). The Organization is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Mission of Association

AIRROC's mission is to promote and represent the interests of entities with legacy business by improving industry standards and enhancing knowledge and communications within and outside of the (re)insurance industry.

ASSOCIATION OF INSURANCE AND REINSURANCE
RUN-OFF COMPANIES, INC.

NOTES TO FINANCIAL STATEMENTS

3. SOURCES OF REVENUE

The Association receives the majority of its revenues from five major sources: dues, partner fee income, special events, advertising income and investment income. To accomplish its mission, the Association holds an annual Commutation and Networking Event in the fall each year. In addition, it publishes a newsletter about run-off companies and their issues entitled *AIRROC Matters*.

4. CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS

The Association maintained cash balances at three financial institutions. Two of the Association's accounts are insured by the Federal Deposit Insurance Corporation to a maximum of \$250,000 at each institution. One is insured by the National Credit Union Administration to a maximum of \$250,000. As of December 31, 2016, none of the accounts exceeded the insurance limits.

5. SUBSEQUENT EVENTS

The Internal Revenue Service (IRS) completed an examination of the Association's 2014 Federal Tax Return (Form 990) in the second quarter of 2017. As a result of the examination, the Association agreed that its Executive Director is a statutory employee and subject to certain payroll taxes starting in the second quarter of 2017. The Association agreed to a payment of \$3,611 to resolve the matter.