

Financial Statements – Modified Cash Basis
and Other Financial Information



Florida Insurance Guaranty Association, Inc.

*Years ended December 31, 2017 and 2016
with Report of Independent Auditors*

Florida Insurance Guaranty Association, Inc.

Financial Statements – Modified Cash Basis
and Other Financial Information

Years ended December 31, 2017 and 2016

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Report of Independent Auditors

The Board of Directors
Florida Insurance Guaranty Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Florida Insurance Guaranty Association, Inc. (the Association), which comprise the statements of financial position - modified cash basis as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets - modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified basis of cash receipts and disbursements described in Note 1; this includes determining that the modified basis of cash receipts and disbursements is an acceptable basis of accounting for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 from 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 Association'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 Association'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Florida Insurance Guaranty Association, Inc. as of December 31, 2017 and 2016, and its revenue collected and expenses paid during the years then ended in accordance with the modified basis of cash receipts and disbursements described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of general and administrative expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
March 28, 2018

Florida Insurance Guaranty Association, Inc.

Statements of Financial Position
- Modified Cash Basis

| | December 31, | |
|--|------------------------------|------------------------------|
| | 2017 | 2016 |
| Assets | | |
| Cash and short-term investments: | | |
| Cash and cash equivalents | \$ 15,977,166 | \$ 14,040,199 |
| Short-term investments | 66,291,002 | 76,626,148 |
| Total cash and short-term investments | <u>82,268,168</u> | <u>90,666,347</u> |
| Accrued interest income | 900,844 | 705,832 |
| Investments | 183,570,949 | 152,580,026 |
| Property and equipment, net | 984,975 | 1,024,840 |
| Total assets | <u><u>\$ 267,724,936</u></u> | <u><u>\$ 244,977,045</u></u> |
| Liabilities and net assets | | |
| Liabilities | \$ - | \$ - |
| Net assets: | | |
| Temporarily restricted: | | |
| Automobile liability and physical damage | 84,336,276 | 75,135,865 |
| Other covered lines | 183,388,660 | 169,841,180 |
| Total net assets | <u>267,724,936</u> | <u>244,977,045</u> |
| Total liabilities and net assets | <u><u>\$ 267,724,936</u></u> | <u><u>\$ 244,977,045</u></u> |

See accompanying notes.

Florida Insurance Guaranty Association, Inc.

Statement of Activities and Changes in Net Assets
- Modified Cash Basis

Year ended December 31, 2017

| | Temporarily Restricted | | | |
|--|---|------------------------------------|-----------------------|-----------------------|
| | Automobile Liability and Physical Damage | Other Covered Lines | Total | |
| Revenues: | | | | |
| Assessments | \$ - | \$ 9,893 | \$ 9,893 | \$ 9,893 |
| Other revenue | - | 603 | 603 | 603 |
| Investment income, net of related expenses | 1,075,354 | 2,191,136 | 3,266,490 | 3,266,490 |
| Estate distributions and claim recoveries | 10,704,645 | 22,471,711 | 33,176,356 | 33,176,356 |
| Total revenues | <u>11,779,999</u> | <u>24,673,343</u> | <u>36,453,342</u> | <u>36,453,342</u> |
| Expenses: | | | | |
| Claims and claims adjustment expenses paid | 1,482,610 | 8,859,766 | 10,342,376 | 10,342,376 |
| Direct estate expenses | 17,266 | 78,861 | 96,127 | 96,127 |
| General and administrative | 1,079,712 | 2,187,236 | 3,266,948 | 3,266,948 |
| Total expenses | <u>2,579,588</u> | <u>11,125,863</u> | <u>13,705,451</u> | <u>13,705,451</u> |
| Change in net assets | 9,200,411 | 13,547,480 | 22,747,891 | 22,747,891 |
| Temporarily restricted net assets at beginning of year | 75,135,865 | 169,841,180 | 244,977,045 | 244,977,045 |
| Temporarily restricted net assets at end of year | <u>\$ 84,336,276</u> | <u>\$ 183,388,660</u> | <u>\$ 267,724,936</u> | <u>\$ 267,724,936</u> |

See accompanying notes.

Florida Insurance Guaranty Association, Inc.

Statement of Activities and Changes in Net Assets
- Modified Cash Basis

Year ended December 31, 2016

| | Temporarily Restricted | | |
|--|---|------------------------------------|-----------------------|
| | Automobile Liability and Physical Damage | Other Covered Lines | Total |
| Revenues: | | | |
| Assessments | \$ - | \$ 37,794 | \$ 37,794 |
| Other revenue | 1,553 | 3,417 | 4,970 |
| Investment income, net of related expenses | 715,983 | 1,619,642 | 2,335,625 |
| Estate distributions and claim recoveries | 10,912,190 | 32,832,130 | 43,744,320 |
| Total revenues | <u>11,629,726</u> | <u>34,492,983</u> | <u>46,122,709</u> |
| Expenses: | | | |
| Claims and claims adjustment expenses paid | 1,645,480 | 13,661,205 | 15,306,685 |
| Direct estate expenses | 3,906 | 21,175 | 25,081 |
| General and administrative | 482,106 | 2,816,100 | 3,298,206 |
| Total expenses | <u>2,131,492</u> | <u>16,498,480</u> | <u>18,629,972</u> |
| Change in net assets | 9,498,234 | 17,994,503 | 27,492,737 |
| Temporarily restricted net assets at beginning of year | 65,637,631 | 151,846,677 | 217,484,308 |
| Temporarily restricted net assets at end of year | <u>\$ 75,135,865</u> | <u>\$ 169,841,180</u> | <u>\$ 244,977,045</u> |

See accompanying notes.

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

Years ended December 31, 2017 and 2016

1. Organization and Significant Accounting Policies

The Florida Insurance Guaranty Association, Inc. (the Association), a not-for-profit corporation, was established by the Florida Legislature through the Florida Insurance Guaranty Act of 1970 (the Act). The Association was created to provide a mechanism for the payment of covered claims of insolvent insurers and to assist in the detection and prevention of insurer insolvencies. The Association operates under the supervision and approval of a board of directors, comprised of not less than five and no more than nine persons, recommended by member insurers pursuant to Chapter 631.56, Florida Statutes, and subsequently appointed by the Florida Department of Financial Services.

The Association is managed by the American Guaranty Fund Group (AGFG) through a management and administrative services agreement (see Note 5). AGFG also has an agreement with the Florida Workers' Compensation Insurance Guaranty Association (FWCIGA), a related party through common management, for these services. The Association and FWCIGA are equal members of AGFG, but control is maintained by the members through equal representation on the board of directors.

The members of the Association are all insurers that provide property and casualty coverages in the state of Florida.

The funding of the Association's activities is provided by distributions from the estates of insolvent insurers and assessments of members. The assessments are calculated and, as considered necessary, levied against member insurers on the basis of net direct written premiums in the state of Florida in the classes protected by the Act. The Association obtains the amount of the net direct written premiums, by company and by class of protection, which is used as the basis for assessment calculations. The maximum regular assessment rate is 2%. In addition to the regular assessment, during 2006, the Florida Legislature granted the Association the authority to levy an emergency assessment up to an additional 2% of net direct written premiums for the account specified in Section 631.55(2)(b). Also in 2006, the Association was granted the authority to work with an affected municipality, county, or financing conduit organization under Chapter 163, Florida Statutes, to issue tax-exempt bonds should the funding need arise for the account specified in Section 631.55(2)(b). As of December 31, 2017, the Association has not issued any tax-exempt bonds.

No assessments were levied in 2016 or 2017. However, amounts were collected during 2016 and 2017 related to prior years assessments levied.

The accounting policies and methods of their application that significantly affect the assets and liabilities arising from cash transactions and changes in the modified cash basis net assets of the Association are as follows:

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

1. Organization and Significant Accounting Policies (continued)

Basis of Accounting

The financial statements of the Association are prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of presentation differs from GAAP in that certain revenues are recognized when received rather than earned and certain expenses are recognized when paid rather than when the obligation is incurred. Specifically, the variances from GAAP include omission of assessments receivable and accruals for loss and loss adjustment expense reserves of insolvent insurance companies assumed by the Association. Such variances are presumed to be material. However, similar to financial statements prepared in accordance with GAAP, these financial statements reflect the capitalized cost of property and equipment and related depreciation, accrued interest income, and amounts held by the Association for others in a fiduciary capacity. The accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits with financial institutions and deposits in highly liquid money market funds with original maturities of three months or less. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Bank deposits at times may exceed federally insured limits. The Association has not experienced any losses in such accounts.

Investments

Investments are reported at amortized cost. Short-term investments include securities with original maturity dates of one year or less.

Concentration of Credit Risk

The financial instruments exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, investments, and assessment revenue.

All investment transactions have credit exposure to the extent that a counterparty may default on an obligation of the Association. Credit risk is a consequence of carrying investment positions. To manage credit risk, the Association focuses primarily on highly liquid cash equivalent investments, limits its exposure in any one investment, and monitors quality.

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

1. Organization and Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over an estimated useful life of three to 39 years. The Association's policy is to capitalize asset acquisitions greater than \$1,000.

Net Assets

The Association's modified cash basis net assets represent funds held from assessments, and other sources to pay covered property and casualty claims of insolvent insurers and administrative costs as they come due. Net assets are temporarily restricted and are segregated into two classifications specified under the Act: automobile and other covered lines.

Income Taxes

The Association is exempt from federal income taxes under Section 501 of the Internal Revenue Code as a 501(c)(6) organization. The Association elects to pay the proxy tax on lobbying expenditures instead of reporting a portion of member dues as non-deductible. Income tax expense was \$10,238 and \$3,150 for the years ending December 31, 2017 and 2016, respectively. With few exceptions, the Association is no longer subject to examinations by major tax jurisdictions for years ended December 31, 2013 and prior.

Assessments

Assessments are recorded at the time they are received by the Association.

Investment Income

The Association allocates interest income earned from investments to the individual net asset classification based on the ratio of each classification's average monthly balance to the average monthly balance for all classifications. Interest income is recorded in the period earned.

Estate Distributions and Claim Recoveries

Amounts received by the Association for estate distributions and claim recoveries are recognized in the period received. Estate distributions and claim recoveries include reinsurance recoveries by the receivers, Florida Hurricane Catastrophe Fund reimbursements, direct claim recoveries, and any other distributions of estate assets.

Claims and Claims Adjustment Expenses Paid

Claims and claims adjustment expenses paid consist of the amounts paid on claims of insolvent insurers.

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

1. Organization and Significant Accounting Policies (continued)

Direct Estate Expenses

Direct estate expenses are expenses paid by the Association related directly to the protection of the Association's interest in the administration of specific insolvent insurers' estates.

General and Administrative Expenses

The Association records general and administrative expenses when paid. General and administrative expenses are allocated monthly based on a formula that incorporates the amounts paid for claims and claims handling as well as the changes in outstanding reserves for each estate by line of business in their proportion to the total activity for that month.

Use of Estimates

The preparation of financial statements in conformity with the modified basis of cash receipts and disbursements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Association has evaluated subsequent events through March 28, 2018, the date the financial statements were available to be issued. During the period from December 31, 2017 to March 28, 2018, the Association did not have any material recognizable subsequent events.

2. Investments

The Association invests in government and corporate bonds, commercial paper, and other fixed maturity obligations. The fair values of investments are estimated based on their quoted market values for the specific investments. The amortized cost and fair value of these investments are as follows:

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

2. Investments (continued)

| | December 31, 2017 | |
|--|---------------------------|-----------------------|
| | Amortized Cost | Fair Value |
| U.S. Treasury | \$ 54,090,297 | \$ 53,768,761 |
| U.S. Government agency obligations | 60,100,667 | 59,856,065 |
| U.S. Agency mortgage-backed securities | 1,613,513 | 1,611,400 |
| Municipal obligations | 12,616,429 | 12,534,966 |
| Corporate bonds | 115,946,462 | 115,720,096 |
| Money Market | 5,494,583 | 5,490,840 |
| | <u>249,861,951</u> | <u>248,982,128</u> |
| Less short-term investments | 66,291,002 | 66,211,576 |
| Investments | <u>\$ 183,570,949</u> | <u>\$ 182,770,552</u> |

| | December 31, 2016 | |
|--|---------------------------|-----------------------|
| | Amortized Cost | Fair Value |
| U.S. Treasury | \$ 59,904,339 | \$ 59,854,332 |
| U.S. Government agency obligations | 44,046,521 | 43,996,251 |
| U.S. Agency mortgage-backed securities | 14,557,652 | 14,505,893 |
| Municipal obligations | 7,522,273 | 7,473,899 |
| Corporate bonds | 101,175,389 | 101,083,546 |
| Money Market | 2,000,000 | 2,001,394 |
| | <u>229,206,174</u> | <u>228,915,315</u> |
| Less short-term investments | 76,626,148 | 76,660,692 |
| Investments | <u>\$ 152,580,026</u> | <u>\$ 152,254,623</u> |

A summary of the amortized cost and fair value of the Association's bonds and other investments at December 31, 2017, by maturity is as follows:

| | Amortized Cost | Fair Value |
|---------------------------------------|---------------------------|-----------------------|
| Due in one year or less | \$ 66,291,002 | \$ 66,211,576 |
| Due after one year through five years | 183,570,949 | 182,770,552 |
| Total | <u>\$ 249,861,951</u> | <u>\$ 248,982,128</u> |

The foregoing data is based on the expected maturities for bonds. These expected maturities might differ from the contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

2. Investments (continued)

Investment income consists of interest income and net realized gains (losses) and is reported net of investment management expenses of \$180,941 and \$167,857 for the years ended December 31, 2017 and 2016, respectively. Net realized gains for the years ended December 31, 2017 and 2016 were \$96,760 and \$98,579, respectively.

3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis.

| | December 31, 2017 | | | |
|---|--------------------------|----------------|-----------------------|----------------|
| | Total | Level 1 | Level 2 | Level 3 |
| U.S. Government and government agency bonds | \$ 113,624,826 | \$ – | \$ 113,624,826 | \$ – |
| Asset-backed securities | 1,611,400 | – | 1,611,400 | – |
| Corporate bonds | 115,720,096 | – | 115,720,096 | – |
| Money Market | 5,490,840 | – | 5,490,840 | – |
| Municipal obligations | 12,534,966 | – | 12,534,966 | – |
| | \$ 248,982,128 | \$ – | \$ 248,982,128 | \$ – |

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

3. Fair Value Measurements (continued)

| | December 31, 2016 | | | |
|---|--------------------------|----------------|----------------|----------------|
| | Total | Level 1 | Level 2 | Level 3 |
| U.S. Government and government agency bonds | \$ 103,850,583 | \$ – | \$ 103,850,583 | \$ – |
| Asset-backed securities | 14,505,893 | – | 14,505,893 | – |
| Corporate bonds | 101,083,546 | – | 101,083,546 | – |
| Money Market | 2,001,394 | – | 2,001,394 | – |
| Municipal obligations | 7,473,899 | – | 7,473,899 | – |
| | \$ 228,915,315 | \$ – | \$ 228,915,315 | \$ – |

Fair values of the Association’s debt securities (bonds) reported in Level 2 are based on average bid prices of identical or similar issues with the same life and expected yields. There have been no changes in the methodologies used at December 31, 2017 and 2016.

4. Property and Equipment

Property and equipment consists of the following:

| | December 31, | |
|---------------------------------|---------------------|--------------|
| | 2017 | 2016 |
| Land | \$ 310,000 | \$ 310,000 |
| Building | 883,463 | 883,463 |
| Office furniture and equipment | 28,184 | 28,184 |
| Computer equipment and software | 713,381 | 711,215 |
| Leasehold improvements | 86,569 | 85,256 |
| | 2,021,597 | 2,018,118 |
| Less accumulated depreciation | 1,036,622 | 993,278 |
| | \$ 984,975 | \$ 1,024,840 |

During the years ended December 31, 2017 and 2016, the Association recorded depreciation expense of \$43,344 and \$58,538, respectively.

The Association and FWCIGA are the owners of real property together with certain tangible property. The Association owns an undivided 50% interest in the property which is reported above as land and building.

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

5. Management Services Agreement

The Association and FWCIGA have entered into agreements with AGFG to provide management and administrative services. Under the terms of the Association's agreement, AGFG provides management and administrative services, including but not limited to general management responsibility, finance and accounting, overseeing and managing the Association's claims division, managing and supervising the day-to-day activities of the Association, and other management or administrative services. The Association and FWCIGA reimburse AGFG for all amounts paid by AGFG. Costs incurred by AGFG that are directly attributable to a specific entity are charged to the applicable entity. All other costs incurred by AGFG are distributed equitably to the Association and FWCIGA based on various allocation methods. The Association's contract may be terminated with 30 days written notice by either party, with or without cause. The Association and FWCIGA each pay AGFG in advance of each calendar year an amount equal to the two month average budget for that entity projected for the upcoming calendar year. The operating advance paid to AGFG was \$319,297 and \$384,383 at December 31, 2017 and 2016, respectively.

Amounts paid to AGFG under this agreement totaled \$3,492,820 and \$3,364,915 for the years ended December 31, 2017 and 2016, respectively, and are reported in general and administrative expenses, claims and claims adjustment expenses, and direct estate expenses.

6. Commitments and Contingencies

As more fully described in Note 1, the Association has assumed the outstanding claims and claims adjustment expense liabilities of insolvent property and casualty insurers in the state of Florida. The case-basis claims and claim adjustment expense reserves for known insolvent insurers at December 31, 2017 and 2016, are approximately \$29,500,000 and \$25,800,000, respectively. An actuarial determination of the ultimate value of the outstanding claim liabilities has not been made. In addition to the Association's obligation to pay the outstanding claims and claims adjustment expenses of insolvent insurers, the Association is also obligated to pay the unearned premium liabilities of insolvent insurers. There is no known outstanding unearned premium obligation of insolvent insurers at December 31, 2017 and 2016.

The Association receives early access distributions from the receivers of insolvent insurers. Some of these distributions have been received pursuant to agreements that provide that in the event the distributions exceed the Association's final pro rata distribution from the insolvencies, the Association will return any excess to the Receiver.

The Association is involved in various legal actions in its capacity as the provider of funds for the settlement of covered claims and return of unearned premiums under certain insurance policies of insolvent companies. The costs of such legal actions to the Association are recorded as claims and claims handling expenses when paid.

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

6. Commitments and Contingencies (continued)

The Association has filed contingent proofs of claims with the Florida Department of Financial Services, Division of Rehabilitation and Liquidation and with out-of-state receivers to protect its right of recovery from the various insolvent companies for claims and expenses paid. General and administrative expenses are a priority claim with the receivers in most states.

During the ordinary course of business, the Association is involved in various litigation. The ultimate outcome of such litigation is uncertain. However, management and legal counsel are of the opinion that any resulting unfavorable outcomes would have minimal adverse economic impact on the Association.

7. Retirement Plan

The Association employees have the option of participating in the AGFG 401(k) Profit Sharing Plan (the Plan). The Plan is available to employees meeting certain entry requirements. The Association makes discretionary employer contributions to the Plan on a matching basis. Employer contributions paid for the years ended December 31, 2017 and 2016, were \$169,862 and \$174,247, respectively.

8. Temporarily Restricted Net Assets

The Association classifies all net assets as temporarily restricted. Net assets are considered restricted by Florida Statutes until expended for Association operations and payment of claims.

Other Financial Information

Florida Insurance Guaranty Association, Inc.

Schedule of General and Administrative Expenses

| | Years ended December 31, | |
|---|---------------------------------|---------------------|
| | 2017 | 2016 |
| Accounting and auditing | \$ 68,145 | \$ 71,594 |
| Bank fees | 22,183 | 6,418 |
| Consulting | 54,908 | 42,145 |
| Depreciation | 42,344 | 58,538 |
| Dues and publications | 159,129 | 150,115 |
| Furniture and equipment | 247,026 | 260,602 |
| Insurance | 71,215 | 66,671 |
| Legal fees | 71,565 | 70,189 |
| Miscellaneous | 14,104 | 15,140 |
| Office supplies and printing | 7,212 | 8,667 |
| Change in operating advance and prepaid expenses | (66,149) | (7,563) |
| Postage and shipping | 6,317 | 4,694 |
| Premises | 37,102 | 40,924 |
| Salaries and benefits | 2,411,401 | 2,399,528 |
| Taxes and licenses | 23,944 | 17,192 |
| Telephone | 32,018 | 31,845 |
| Travel and meals | 64,484 | 61,507 |
| | <u>\$ 3,266,948</u> | <u>\$ 3,298,206</u> |

See report of independent auditors.