Report of Independent Auditors
and Financial Statements
with Supplementary Information

Non Profit Insurance Program (NPIP)

May 31, 2023 and 2022

MOSSADAMS

Table of Contents

Report of Independent Auditors

The Board of Directors
Non Profit Insurance Program

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Non Profit Insurance Program, which comprise the balance sheets as of May 31, 2023 and 2022, and the related statements of operations and changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Non Profit Insurance Program as of May 31, 2023 and 2022, and the results of its operations 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). 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 Non Profit Insurance Program 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 Non Profit Insurance Program's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 Non Profit Insurance Program'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 Non Profit Insurance Program'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise Non Profit Insurance Program's financial statements. The schedule of incurred claims and allocated claim adjustment expenses, net of reinsurance, on pages 21 and 22, and the schedule of expenditures (unaudited) on page 23, are presented for purposes of additional analysis and are not 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moss Adams LLP

Portland, Oregon
September 22, 2023

Financial Statements

Non Profit Insurance Program
Balance Sheets
May 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,602,771	$ 5,572,869
Investments	1,576,484	1,590,133
Accounts receivable		
Member receivables	41,165	157,214
Income tax receivable	354,130	198,867
Excess/reinsurance recoverable	1,635,371	1,220,417
Prepaid expenses	3,260	717
Total current assets	9,213,181	8,740,217
TOTAL ASSETS	$ 9,213,181	$ 8,740,217
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Incurred but not reported and case reserves	$ 2,527,293	$ 2,468,367
Accounts payable	131,699	83,413
Unearned member assessments	13,978	209,598
Total current liabilities	2,672,970	2,761,378
NONCURRENT LIABILITIES		
Incurred but not reported and case reserves	3,951,959	2,527,164
Deferred income taxes	73,838	170,265
Total noncurrent liabilities	4,025,797	2,697,429
MEMBERS' EQUITY	2,514,414	3,281,410
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 9,213,181	$ 8,740,217

See accompanying notes.

Non Profit Insurance Program
Statements of Operations and Changes in Members' Equity
Years Ended May 31, 2023 and 2022

	2023	2022
OPERATING REVENUE		
Member assessments	$ 31,019,169	$ 25,969,963
Total operating revenue	31,019,169	25,969,963
OPERATING EXPENSES		
Paid on current losses	5,253,420	4,035,217
Change in loss reserves	5,189,234	3,227,923
Case reserves and loss adjustment expense	1,549,896	1,556,604
Excess/reinsurance premiums	12,177,313	11,020,062
General and administrative expenses	7,908,389	6,966,524
Total operating expenses	32,078,252	26,806,330
OPERATING LOSS	(1,059,083)	(836,367)
NONOPERATING REVENUE (LOSS)		
Unrealized loss	(34,439)	(61,376)
Interest and dividend income	124,836	18,695
Total nonoperating revenue (loss)	90,397	(42,681)
LOSS BEFORE TAXES	(968,686)	(879,048)
INCOME TAX BENEFIT	(201,690)	(184,864)
NET LOSS	(766,996)	(694,184)
MEMBERS' EQUITY, beginning of year	3,281,410	3,975,594
MEMBERS' EQUITY, end of year	$ 2,514,414	$ 3,281,410

See accompanying notes.

Non Profit Insurance Program
Statements of Cash Flows
Years Ended May 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Assessments received from members	$ 30,939,598	$ 23,436,928
Cash payments for claims expense	(21,502,914)	(16,813,430)
Payments for operations	(9,460,828)	(8,523,585)
Interest and dividends received	124,836	18,695
Cash paid for income taxes	(50,000)	(25,286)
Net cash from operating activities	50,692	(1,906,678)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of investments	(20,790)	3,618
Net cash from investing activities	(20,790)	3,618
NET CHANGE IN CASH	29,902	(1,903,060)
CASH AND CASH EQUIVALENTS, beginning of year	5,572,869	7,475,929
CASH AND CASH EQUIVALENTS, end of year	$ 5,602,771	$ 5,572,869
RECONCILIATION OF NET LOSS TO NET CASH FROM OPERATING ACTIVITIES		
NET LOSS	$ (766,996)	$ (694,184)
Adjustments to reconcile net loss to net cash provided by operating activities		
Unrealized loss on investments	34,439	61,376
Deferred income taxes	(96,427)	(148,497)
Change in assets and liabilities		
Member receivables	116,049	(157,214)
Income tax receivable	(155,263)	(61,653)
Excess/reinsurance recoverable	(414,954)	(297,400)
Prepaid expenses	(2,543)	(457)
Incurred but not reported and case reserves	1,483,721	1,711,289
Accounts payable	48,286	55,883
Unearned member assessments	(195,620)	(2,375,821)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 50,692	$ (1,906,678)

See accompanying notes.

Note 1 – Nature of the Organization

Non Profit Insurance Program (NPIP or Program) was organized in Washington State as a United States property and casualty insurance company to provide a joint self-insurance program of property and casualty coverage for its member organizations. Nonprofit corporations authorized to do business in Washington State are eligible to participate if they meet the Program's underwriting guidelines. NPIP operates under Washington's joint self-insurance program as outlined in chapter 48.180 of the Revised Code of Washington (RCW). The RCW allows local governments to self-insure with other entities and to jointly purchase insurance or reinsurance with those other entities for property and liability risks.

As outlined in the Program's foundation document (Membership Agreement), members must give a 90-day notice before March 1 each year to terminate participation in the Program effective the following May 31. The Membership Agreement is renewed automatically each year. Even after termination, a member is responsible for contributions to the Program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Membership Agreement. On May 31, 2023, NPIP had 905 members.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The financial statements of NPIP have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables and liabilities. Revenues and expenses are reported in gross amounts except gains and losses, which are reported net.

Accounting estimates – The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Cash and cash equivalents – For purposes of cash flows, NPIP considers all certificates of deposit and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash consists of cash on hand and cash on deposit at financial institutions. In general, the Federal Deposit Insurance Corporation (FDIC) insures cash balances up to $250,000 per depositor, per bank. Amounts in excess of the FDIC limit are uninsured. It is the Company's policy to monitor the financial strength of the banks holding its deposits on an ongoing basis. The Company holds cash balances in excess of the FDIC insurance limits from time to time in the normal course of operations. Management has not experienced any loss related to these demand deposits in the past. If any of the financial institutions with whom the Company does business were to be placed into receivership with the FDIC, the Company may be unable to access the cash they have on deposit with such institutions. If the Company was unable to access its cash and cash equivalents as needed, the Company's financial position and ability to operate its business could be adversely affected. The Company has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash.

Accounts receivable – All receivables are from members or insurance carriers and are, therefore, deemed collectible. NPIP does have a policy for writing off uncollectible accounts. All debts or uncollectible accounts receivable that are “written off” must be reported to the NPIP Fiscal Committee, made up of member representatives and Clear Risk staff. All debts or uncollectible accounts receivable under $500 can be written off by the third-party administrator (TPA) without the Board’s permission, but must be reported to the fiscal officer monthly. All debt or uncollectible accounts receivable over $500 will be presented to the Fiscal Committee for approval prior to being written off.

Incurred but not reported and case reserves – NPIP establishes claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims.

Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Excess/reinsurance – The RCWs of the State of Washington allow nonprofit and government corporations to participate in a joint self-insurance program to cover property or liability risks and grants these programs to jointly purchase insurance or reinsurance on behalf of its members. As a result, these reinsurance contracts are with the individual members, not with NPIP. Accordingly, NPIP does not report the liabilities or recoveries related to these excess/reinsurance contracts as they are the responsibility of the members. On its self-insurance program, NPIP uses an aggregate stop-loss policy with a $2,000,000 limit to further limit exposure to the pool in any one claim year.

Member assessments and unearned member assessments – NPIP receives the majority of its funding from member assessments that are renewable annually. Member assessments are collected in advance and recognized as revenue in the period for which insurance protection is provided. The program assessment is calculated based on a percentage of the member’s apportioned excess insurance cost. Unearned member assessments are premiums that are collected prior to the effective date of the policy and premiums collected for policies that span multiple fiscal years.

Investments – All investments are recorded at fair value based on quoted market prices. The net unrealized gains or losses in fair value of investments, as well as all other investment income, are recognized in the statements of operations and changes in members’ equity.

These investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of securities will occur in the near term and that such changes could materially affect total equity and the amounts reported in the balance sheets.

Unpaid claims and claim adjustment expense – Claims are charged to expense as incurred. Claims reserves represent the accumulation of estimates for reported, unpaid claims, plus a provision for claims incurred but not reported. These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings.

Reserved unallocated loss adjustment expenses – Pursuant to the contract in place between NPIP and its third-party administrator (TPA), the TPA will administer in all matters related to the processing, supervision, and resolution of all Program and Program membership claims or losses incurred during the term of the agreement.

Income taxes – Accounting Standards Codification (ASC) 740 requires that deferred income tax assets or liabilities be recognized for the expected future income tax consequences of events that have been recognized in the financial statements and are determined based on the temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities.

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. NPIP evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include NPIP’s forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in NPIP’s effective tax rate on future earnings.

NPIP recognizes the tax benefit from uncertain tax positions only if it is more likely than not the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. NPIP recognizes interest and penalties related to income tax matters in income tax expense. See Note 10 for additional details.

RCW 48.180.055 exempts NPIP from insurance premium taxes, fees assessed under Chapters 48.02. 48.32 and 48.32A RCW, business and occupation taxes imposed under 82.04 RCW, and any assigned risk plan or joint underwriting association otherwise required by law.

Fair value measurements – NPIP’s financial assets recognized or disclosed at fair value on a recurring basis consist of investments in securities classified as trading securities (see Note 3), which are valued primarily based on quoted prices for identical instruments in active markets.

The definition of 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. A fair value hierarchy has been established that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs may be used to measure fair value:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Instruments whose significant value drivers are unobservable.

Reclassifications – Certain account reclassifications have been made to the consolidated financial statements of the prior year in order to conform with the current year presentation. These reclassifications have no effect on previously reported net income or shareholders' equity.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. NPIP recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. NPIP's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

NPIP has evaluated subsequent events through September 22, 2023, which is the date the financial statements are available to be issued.

Note 3 – Investments

NPIP's fair value of investments are measured using Level 1 inputs and consist of the following:

	2023	2022
Equity funds	$ 156,612	$ 171,601
Fixed income funds	1,406,260	1,407,437
Money market funds	13,612	11,095
Totals	$ 1,576,484	$ 1,590,133

Note 4 – Risk Financing Limits (Self-Insured Retention)

The following table reflects the risk-financing standard limits on coverage policies issued and retained by NPIP for the 2022–23 policy year, except for independent schools:

Type of Coverage	Member Deductibles*	Self-Insured Retention	Excess Limits
Property loss			
Buildings and content	$2,500 – Residential $500 – All others	$250,000	$75,000,000 per occurrence
Flood	2% of insurable values, subject to a $25,000 minimum and $100,000 maximum, Each Member, Each Occurrence.	$250,000	$25,000,000 annual aggregate
Earthquake	2% of insurable values, subject to a $25,000 minimum, Each Member, Each Occurrence.	$250,000	$25,000,000 annual aggregate
Equipment breakdown	$1,000	$50,000	$75,000,000 per occurrence
Employee dishonesty	$500	$250,000	$1,000,000 per occurrence
Auto comp and collision	$500 Private Passenger Vehicles, Pickups and Vans; $2,500 Buses, Specialty Transport Vehicles, and Vans exceeding 8 passenger capacity; $1,000 All Other Vehicles	$250,000	$300,000 per occurrence
Liability loss			
Auto liability (AL) including bodily injury, property damage, and underinsured motorist (UIM)	$2,500 Buses, Specialty Transport Vehicles, and Vans exceeding 8 passenger capacity; $500 all others	$250,000	$5,000,000 AL per occurrence; $1,000,000 UIM per occurrence
General liability including bodily injury, property damage, and personal injury	$0	$250,000	$5,000,000 per occurrence
Wrongful acts / misc. professional liability	$1,000 = 0 - 24 Employees $2,500 = 25 - 500 Employees $10,000 = 500+ Employees	$250,000	$5,000,000 per claim
Cyber Coverage			
Privacy, Security and Technology Coverage	$2,500 & $10,000	$97,500 & 90,000	$5,000,000 annual aggregate; $1,000,000 Each Occurrence Member Limit

*Liability limits vary by member from $1,000,000 up to $10,000,000

The following table reflects the risk financing limits on coverage policies issued and retained by NPIP for the independent schools for the 2022–23 policy year:

Type of Coverage	Member Deductibles*	Self-Insured Retention	Excess Limits
Property Loss			
Buildings and Content	$1,000	$250,000	$75,000,000 per occurrence
Flood	2% of insurable values, subject to a $25,000 minimum and $100,000 maximum, Each Member, Each Occurrence.	$250,000	$25,000,000 annual aggregate
Earthquake	2% of insurable values, subject to a $25,000 minimum, Each Member, Each Occurrence.	$250,000	$25,000,000 annual aggregate
Equipment Breakdown	$2,500	$250,000	$75,000,000 per occurrence
Employee Dishonesty	$2,500 Employee Theft & Computer Fraud; $1,000 Forgery or Alteration & Money or Securities	$250,000	$1,000,000 per occurrence
Auto Comp and Collision	See Schedule**	$250,000	$300,000 per occurrence
Liability Loss			
Auto Liability including Bodily Injury, Property Damage and Underinsured Motorist	$1,000	$250,000	$15,000,000 AL per occurrence; $1,000,000 UIM per occurrence
General Liability including Bodily Injury, Property Damage and Personal Injury	$1,000	$250,000	$15,000,000 per occurrence
Wrongful Acts / Misc. Professional Liability	$1,000	$250,000	$15,000,000 per claim
Cyber Coverage			
Privacy, Security, and Technology Coverage	$2,500	$250,000	$1,000,000 Per occurrence / claim

*Liability limits vary by member from $1,000,000 up to $10,000,000
**Member deductible options are available upon request.

Note 5 – Excess Insurance Contract/Reinsurance

NPIP maintains excess insurance contracts with several insurance carriers, which provide various limits of coverage over the Program's self-insured retention limits. The limits provided by these excess insurance contracts for all members except independent schools are as follows:

Excess Insurance Contracts 2022–23					
Type of Coverage	**2022–23 Pool Limit**	**Carrier**	**Carrier Rating**	**Years with Carrier**	**Occurrence of Claims Made**
General Liability	$50,000,000	American Alternative Insurance Corporation	A+ XV	12	Occurrence
Automobile Liability	$5,000,000 (no aggregate)	American Alternative Insurance Corporation	A+ XV	12	Occurrence
Wrongful Acts/ Misc Prof Liab	$40,000,000	Princeton Excess & Surplus Lines Insurance Company	A+XV	12	Claims Made
Property	$75,000,000	American Alternative Insurance Corporation / RSUI Indemnity Company / Axis Insurance Company / Arch Specialty Insurance Co. / Independent Specialty Insurance Company / Interstate Fire & Casualty / Certain Underwriters at Lloyds #9569	A+ XV / A+ XIV / A XV / A + XV / A X / A+ XV / A XV	12	Occurrence
Equipment Breakdown	$75,000,000	American Alternative Insurance Corporation / RSUI Indemnity Company / Axis Insurance Company / Arch Specialty Insurance Co. / Independent Specialty Insurance Company / Interstate Fire & Casualty / Certain Underwriters at Lloyds #9569	A+ XV / A+ XIV / A XV / A + XV / A X / A+ XV / A XV	16	Occurrence
Employee Dishonesty	$1,000,000	American Alternative Insurance Corporation	A+ XV	12	Occurrence
Privacy, Security, and Technology	$10,000,000	Indian Harbor Insurance Company / Crum & Forster Specialty Insurance Company	A+XV/ A XIV	1	Occurrence

Per-occurrence coverage limits provided by NPIP, including the excess insurance limits combined with the Program's self-insured retention limits are as follows:

Excess Insurance Contracts 2022–23					
Type of Coverage	**2022–23 per Occurrence Limit**	**Carrier**	**Carrier Rating**	**Years with Carrier**	**Occurrence of Claims Made**
General Liability	$5,000,000	American Alternative Insurance Corporation	A+ XV	12	Occurrence
Automobile Liability	$5,000,000	American Alternative Insurance Corporation	A+ XV	12	Occurrence
Wrongful Acts/ Misc Prof Liab	$5,000,000	Princeton Excess & Surplus Lines Insurance Company	A+XV	12	Claims Made
Property	$75,000,000	American Alternative Insurance Corporation / RSUI Indemnity Company / Axis Insurance Company / Arch Specialty Insurance Co. / Independent Specialty Insurance Company / Interstate Fire & Casualty / Certain Underwriters at Lloyds #9569	A+ XV / A+ XIV / A XV / A + XV / A X / A+ XV / A XV	12	Occurrence
Equipment Breakdown	$75,000,000	American Alternative Insurance Corporation / RSUI Indemnity Company / Axis Insurance Company / Arch Specialty Insurance Co. / Independent Specialty Insurance Company / Interstate Fire & Casualty / Certain Underwriters at Lloyds #9569	A+ XV / A+ XIV / A XV / A + XV / A X / A+ XV / A XV	16	Occurrence
Employee Dishonesty	$1,000,000	American Alternative Insurance Corporation	A+ XV	12	Occurrence
Privacy, Security, and Technology	$1,000,000	Indian Harbor Insurance Company / Crum & Forster Specialty Insurance Company	A+XV/ A XIV	1	Occurrence

NPIP independent schools maintain excess insurance contracts with several insurance carriers, which provide various limits of coverage over the Program's self-insured retention limits. The limits provided by these excess insurance contracts are as follows:

Excess Insurance Contracts 2022–23					
Type of Coverage	**2022-23 Pool Limit**	**Carrier**	**Carrier Rating**	**Years with Carrier**	**Occurrence of Claims Made**
General Liability	$50,000,000	American Alternative Insurance Corporation	A+ XV	12	Occurrence
Automobile Liability	$5,000,000 (no aggregate)	American Alternative Insurance Corporation	A+ XV	12	Occurrence
Wrongful Acts/ Misc Prof Liab	$40,000,000	Princeton Excess & Surplus Lines Insurance Company	A+XV	12	Claims Made
Property	$75,000,000	American Alternative Insurance Corporation / RSUI Indemnity Company / Axis Insurance Company / Arch Specialty Insurance Co. / Independent Specialty Insurance Company / Interstate Fire & Casualty / Certain Underwriters at Lloyds #9569	A+ XV / A+ XIV / A XV / A + XV / A X / A+ XV / A XV	12	Occurrence
Equipment Breakdown	$75,000,000	American Alternative Insurance Corporation / RSUI Indemnity Company / Axis Insurance Company / Arch Specialty Insurance Co. / Independent Specialty Insurance Company / Interstate Fire & Casualty / Certain Underwriters at Lloyds #9569	A+ XV / A+ XIV / A XV / A + XV / A X / A+ XV / A XV	16	Occurrence
Employee Dishonesty	$1,000,000	American Alternative Insurance Corporation	A+ XV	12	Occurrence
Privacy, Security, and Technology	$10,000,000	Indian Harbor Insurance Company / Crum & Forster Specialty Insurance Company	A+XV/ A XIV	1	Occurrence

NPIP independent schools maintain excess insurance contracts with several insurance carriers, which provide various limits of coverage over the Program's self-insured retention limits. The limits provided by these excess insurance contracts are as follows:

Excess Insurance Contracts 2022–23					
Type of Coverage	**2022–23 per Occurrence Limit**	**Carrier**	**Carrier Rating**	**Years with Carrier**	**Occurrence of Claims Made**
General Liability	$5,000,000	American Alternative Insurance Corporation	A+ XV	12	Occurrence
Automobile Liability	$5,000,000	American Alternative Insurance Corporation	A+ XV	12	Occurrence
Wrongful Acts/ Misc Prof Liab	$5,000,000	Princeton Excess & Surplus Lines Insurance Company	A+XV	12	Claims Made
Property	$75,000,000	American Alternative Insurance Corporation / RSUI Indemnity Company / Axis Insurance Company / Arch Specialty Insurance Co. / Independent Specialty Insurance Company / Interstate Fire & Casualty / Certain Underwriters at Lloyds #9569	A+ XV / A+ XIV / A XV / A + XV / A X / A+ XV / A XV	12	Occurrence
Equipment Breakdown	$75,000,000	American Alternative Insurance Corporation / RSUI Indemnity Company / Axis Insurance Company / Arch Specialty Insurance Co. / Independent Specialty Insurance Company / Interstate Fire & Casualty / Certain Underwriters at Lloyds #9569	A+ XV / A+ XIV / A XV / A + XV / A X / A+ XV / A XV	16	Occurrence
Employee Dishonesty	$1,000,000	American Alternative Insurance Corporation	A+ XV	12	Occurrence
Privacy, Security and Technology	$1,000,000	Indian Harbor Insurance Company / Crum & Forster Specialty Insurance Company	A+XV/ A XIV	1	Occurrence

Reinsurance/excess insurance premiums were $12,177,313 and $11,020,062 for the years ended May 31, 2023 and 2022, respectively for insurance purchased by the members for coverage above the self-insured amounts. The estimated amount that is recoverable by the members from excess and reinsurers was $3,654,865 and $2,772,630 at May 31, 2023 and 2022, respectively. The members have not had settlements that have exceeded the insurance coverage provided by self-insurance and reinsurance in the past three years.

Note 6 – Members' Supplemental Assessments and Credits

The membership agreement provides for supplemental assessments to members in the event the fund lacks resources to pay claims. NPIP has never made a supplemental assessment.

Note 7 – Related-Party Transactions

NPIP's TPA and insurance broker is operated as Clear Risk Solutions (also Public Risk Underwriters of the Northwest). Clear Risk Solutions uses Apex and Peachtree Special Risk to place insurance coverage for the pool. Clear Risk Solutions, Apex, and Peachtree Special Risk are owned by the same parent company, Brown and Brown, Inc.

Note 8 – Incurred but Not Reported and Case Reserves

As discussed in Note 1, the Program establishes a liability for both reported and unreported insured events under the joint self-insurance program, which includes estimates of both future payments of losses and related claim adjustment expenses. The following table represents changes in the aggregate liability for NPIP:

	2023	2022
Incurred but not reported and case reserves at the beginning of the year	$ 4,995,531	$ 3,284,242
INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES		
Provision for insured events of current year	10,460,124	7,274,607
Change in provision for insured events of prior years	(640,825)	140,750
Total insured claims and claim adjustment expenses	9,819,299	7,415,357
PAYMENTS		
Claims and claim adjustment expenses attributable to insured events of current year	5,253,420	4,035,217
Claims and claim adjustment expenses attributable to insured events of prior years	3,082,158	1,668,851
Total payments	8,335,578	5,704,068
Total incurred but not reported and case reserves at end of year	$ 6,479,252	$ 4,995,531

For the years ended May 31, 2023 and 2022, claims and claim adjustment expenses incurred included favorable development of $(640,825) and unfavorable development of $140,750, respectively. The unfavorable developments were not considered significant to the reserving process.

	2023	2022
Current claims		
Reserved Claims 21/22	$ -	$ 2,433,591
IBNR 21/22	-	805,799
Reserved Claims 22/23	3,066,866	-
IBNR 22/23	2,139,838	-
Total current unpaid claims expense	5,206,704	3,239,390
Long-term claims		
Reserved Claims 10/11	-	23,981
Reserved Claims 12/13	400	400
Reserved Claims 18/19	115,290	161,441
Reserved Claims 19/20	-	85,233
Reserved Claims 20/21	584,982	982,360
IBNR 18/19	4,610	-
IBNR 20/21	232,792	502,726
IBNR 21/22	334,474	-
Total long-term unpaid claims expense	1,272,548	1,756,141
Total unpaid claims expense	$ 6,479,252	$ 4,995,531

Note 9 – Financial Solvency/Required Assets (WAC) 200-150

Washington Administrative Code (WAC) 200-150 requires NPIP to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-150-03001, total primary assets, cash, and cash equivalents less nonclaim liabilities, must be at least equal to the unpaid claims estimate at the expected level as determined by the actuary. In addition, total primary and secondary assets must be at least equal to the unpaid claims estimate at the 80% confidence level as determined by the actuary. Secondary assets are defined as insurance receivables, real estate, or other assets (less any nonclaim liabilities) the value of which can be independently verified by the State Risk Manager.

	2023	2022
Primary asset test		
Primary assets	$ 6,959,740	$ 6,699,726
Estimated claims liabilities at expected levels	6,479,252	4,995,531
Results	Pass	Pass
Secondary asset test		
Primary and secondary assets	$ 8,990,408	$ 8,276,224
Estimated claims at 80% confidence level	8,027,752	5,245,252
Results	Pass	Pass

Note 10 – Income Taxes

The significant components of income taxes are as follows:

	2023	2022
Current benefit	$ (105,932)	$ (36,367)
Deferred tax benefit	(95,758)	(148,497)
Income tax benefit	$ (201,690)	$ (184,864)

Total tax benefit is less than amounts computed by applying the statutory federal income tax rate to the income before tax for the following reasons:

	2023	2022
Tax benefit, at statutory rate	$ (203,530)	$ (179,816)
Other	1,840	(5,048)
Income tax benefit	$ (201,690)	$ (184,864)

The significant components of NPIP's deferred tax assets and liabilities were as follows:

	2023	2022
Current deferred tax assets		
Unearned member premium	$ 587	$ 8,803
Tax discount	77,763	70,526
Current deferred tax liabilities		
Unallocated loss adjustment expense	(273,671)	(209,138)
Acquisition costs	(1,843)	(29,579)
Unrealized gains	669	(6,563)
TCJA adjustment to discounted loss reserves	(3,235)	(4,314)
NOL carryforward	125,892	-
Net current deferred taxes	$ (73,838)	$ (170,265)

The Program is subject to taxation in the U.S. and files a federal income tax return. The legislation for the Tax Cuts and Jobs Act (TCJA) of 2017 resulted in credit adjustments of $3,235 and $4,314 in 2023 and 2022, respectively. In 2021, the Program incurred a Net Operating Loss (NOL) carryforward of $105,932, which was netted with a current NOL of $231,824 from the year under audit. According to the IRS, a carryforward may be carried forward indefinitely until the loss is fully absorbed, which occurred in 2023 for the client. The Program is unaware of any unrecognized tax benefits. As of May 31, 2023 and May 31, 2022, no accrued interest or penalties have been recorded.

Supplementary Information

Non Profit Insurance Program

Notes to Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance (Unaudited)

This table illustrates how the Program's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the pool as of the end of the year. The rows of the table are defined as follows:

1. This section shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

2. This line shows each fiscal year's other operating costs of the pool including overhead and claims expenses not allocable to individual claims.

3. This line shows the pool's net incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

4. This section shows the cumulative amounts paid as of the end of successive years for each policy year.

5. This line shows the latest re-estimated amount of claims assumed by reinsurers at of the end of the current year for each accident year.

6. This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years. The re-estimations are based on actuary liability and property ultimate losses of the net layer, net of the stop loss. Re-estimations in prior years used a variety of methods including actuary liability estimates and management property estimates and aggregate stop losses. (This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.)

7. This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Non Profit Insurance Program
Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance (Unaudited)
For the Fiscal and Policy Year Ended May 31, 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1 Required contribution and investment revenues										
Earned	$ 12,558,481	$ 13,238,824	$ 14,697,518	$ 15,688,907	$ 16,339,440	$ 17,922,496	$ 22,527,806	$ 22,527,806	$ 25,927,282	$ 31,109,566
Ceded	6,215,069	6,688,906	7,163,740	7,269,796	6,941,416	7,765,091	8,281,163	8,834,665	11,020,062	12,177,313
Net earned	6,343,412	6,549,918	7,533,778	8,419,111	9,398,024	10,157,405	14,246,643	13,693,141	14,907,220	18,932,253
2 Unallocated expenses	4,668,498	4,804,951	5,335,932	5,797,149	6,033,320	6,880,899	6,881,608	7,343,498	8,508,071	9,458,285
3 Estimated claims and expense, end of policy year										
Incurred	3,765,868	2,010,610	2,774,121	3,350,123	3,939,462	6,181,846	4,429,778	4,941,050	8,373,614	10,460,124
Ceded	1,743,201	162,610	400,704	772,852	1,335,931	2,928,827	1,083,894	517,524	1,099,007	4,874,595
Net incurred	2,022,667	1,848,000	2,373,417	2,577,271	2,603,531	3,253,019	3,345,884	4,423,526	7,274,607	5,585,529
4 Net paid (cumulative) as of										
End of policy year	1,193,900	886,998	1,351,008	1,642,608	1,380,145	1,494,579	1,986,151	1,819,067	4,035,217	5,253,420
One year later	1,997,058	1,471,714	2,068,087	2,577,271	2,242,810	2,740,764	2,983,654	3,018,386	6,526,893	-
Two years later	2,022,667	1,584,912	2,335,619	2,578,524	2,583,531	2,928,044	3,260,601	3,480,514	-	-
Three years later	2,014,682	1,815,725	2,368,929	2,578,524	2,583,380	3,083,255	3,345,834	-	-	-
Four years later	2,014,682	1,859,390	2,368,929	2,578,524	2,583,380	3,124,795	-	-	-	-
Five years later	2,022,667	1,859,390	2,368,929	2,578,524	2,583,380	-	-	-	-	-
Six years later	2,022,667	1,859,390	2,368,929	2,578,524	-	-	-	-	-	-
Seven years later	2,022,667	1,846,114	2,368,929	-	-	-	-	-	-	-
Eight years later	2,022,667	1,847,695	-	-	-	-	-	-	-	-
Nine years later	2,022,667	-	-	-	-	-	-	-	-	-
5 Reestimated ceded claims and expenses	5,109,242	4,257,846	2,367,432	1,777,367	5,092,496	3,829,307	4,997,128	1,835,520	1,099,007	4,874,595
6 Reestimated net incurred claims and expenses										
End of policy year	2,022,667	1,848,000	2,373,417	2,577,271	2,583,531	3,253,019	3,345,884	4,423,526	7,274,607	10,460,124
One year later	2,022,667	1,859,390	2,373,417	2,577,271	2,583,531	3,244,696	3,345,834	4,503,472	6,861,366	-
Two years later	2,022,667	1,809,930	2,373,417	2,578,524	2,583,531	3,244,696	3,345,834	4,298,288	-	-
Three years later	2,014,682	1,859,421	2,368,929	2,578,524	2,583,380	3,244,696	3,345,834	-	-	-
Four years later	2,014,682	1,859,390	2,368,929	2,578,524	2,583,380	3,244,696	-	-	-	-
Five years later	2,022,667	1,859,390	2,368,929	2,578,524	2,583,380	-	-	-	-	-
Six years later	2,022,667	1,859,390	2,368,929	2,578,524	-	-	-	-	-	-
Seven years later	2,022,667	1,846,114	2,368,929	-	-	-	-	-	-	-
Eight years later	2,022,667	1,847,695	-	-	-	-	-	-	-	-
Nine years later	2,022,667	-	-	-	-	-	-	-	-	-
7 Decrease in estimated net incurred claims and expense from end of policy year	-	(305)	(4,488)	1,253	(20,151)	(8,323)	(50)	(125,238)	(413,241)	4,874,595

See report of independent auditors.

Non Profit Insurance Program
Schedule of Expenditures (Unaudited)
Years Ended May 31, 2023 and 2022

	2023	2022
Contracted services		
Third-party administrator/directors fees	$ 2,324,845	$ 2,257,077
Professional/consulting fees	148,040	82,111
General administrative expenses		
Account education/simulators	19,829	38,295
Member grant program	17,000	-
Miscellaneous and supplies	26,631	22,198
Meeting expense	2,190	-
Conferences	2,087	6,657
Marketing	4,613	289
Group legal and accounting	17,657	-
License/dues/subscriptions	10,220	8,093
Travel	30,986	33,134
Underwriting/placement fees	2,437,147	2,041,426
Prelitigation program	309,979	259,434
Medicare reporting	12,896	16,238
Tax preparation fees	4,106	4,101
Other		
Brokerage fees/reinsurance	2,486,869	2,144,234
Sponsorships/donations	7,000	10,100
Bad debt expense	-	10
Directors' E&O	46,294	43,127
Total general and administrative expenses	$ 7,908,389	$ 6,966,524