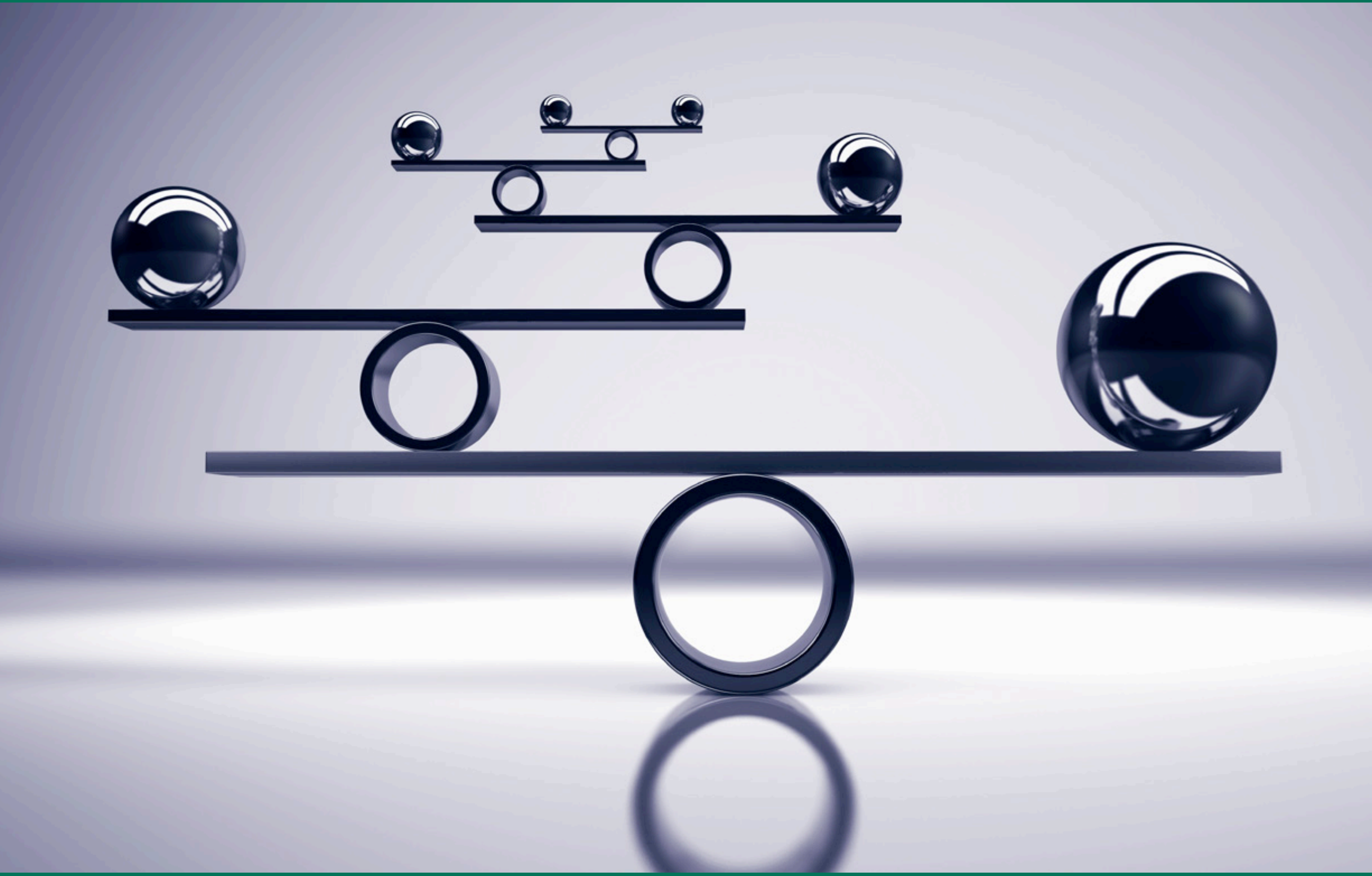
Synchrous™
RISK MANAGEMENT



balanced, stable & holding firm

2023 ANNUAL REPORT

TABLE OF CONTENTS

Report to our Pooling Participants

Letter to the Pool Participants, 2023

Thank you for reviewing our 2023 Annual Report. 2023 will be remembered as a recovery year from an event that no one projected or anticipated. While there are many lingering consequences of the pandemic and the catastrophic losses across the globe, Synchrous is balanced and responding to the challenges in a manner that will benefit its risk sharing pools far into the future.

2023 certainly presented its share of unchartered challenges. Through all the unseen forces acting against our industry, Synchrous Risk Management continued to provide coverage stability and exceptional service to its members and policyholders. Through it all, the retention of existing members and policyholders continues to exceed 98%, testimony to the strength and resiliency of pooling.

Reinsurance acquisition, by far the largest expenditure affecting rates, continues to be extremely difficult to obtain. For the first time in 4 years, our reinsurance costs were limited to single digit increases. With the uncertainty in the global reinsurance markets, Synchrous devoted resources to analyze and consider other risk financing options to reduce its dependency on reinsurance. Through a long process of analyzing data and considering costs, reinsurance will continue to be a necessary partner in our loss funding requirements. Alternative methods of funding the coverage limits ultimately will not reduce dependency on reinsurance and only adds additional costs that would have to be absorbed in its rates.

While disappointing, Synchrous' continued reinsurance partner retention has established vital relationships and mutual trust in one another. This has tempered the volatility we have been experiencing for years with reinsurers who participate and then leave for underwriting reasons. Stability and relationships are critical to maintaining consistency with our coverage structure and pricing.

During the last half of 2023, Synchrous investigated options with lender interaction and effective for 2024, discontinued internal interaction with lenders and funding entities for the non-governmental pool. Those services have been transferred to a third party, the same third party that has been issuing our 5,000+ certificates of insurance every year. Not only has this reduced the internal administration costs of lender interface, but it has also increased the accuracy and will expedite issuance of certificate and endorsements.

A new chapter in our ongoing commitment to risk management and loss control was introduced this year with the hiring of our new Director of Risk Management and Underwriting. Many projects are underway to enhance our services and assist our members and policyholders in their operations. Several internal procedures have been reviewed and modified to address the current environment, not to mention enhancement of our webpage, online training and underwriting tools that will assist us in providing a higher level of loss control consultation and protection of the pool's resources.

Our claims department is continuing to transition with the hiring of an additional claims specialist, all part of the succession planning that has been underway for the last three years. Claim frequency and severity increased significantly in 2023, primarily for our governmental risk pool, so the caseload of our claims personnel has increased accordingly. This will be monitored closely going forward.

While there are many challenges faced by Synchrous, the staff and board of directors are committed to the pooling concept. There are encouraging indications that the hard market may be easing somewhat; however, Synchrous will still investigate alternatives to reduce overhead costs, continue to provide stable coverage and keep rates as low as possible. In this current insurance environment, there is strength in numbers. Being a participant in a pool provides numerous benefits to its pool members. Coverage stability and group purchasing power are the key elements to weather a hard insurance market.

At your service,

Renée Rooker

Renée Rooker
President
Synchrous Risk Management

William Gregory
Executive Director
Synchrous Risk Management

SYNCHROUS

SYNCHROUS

Overview
Synchrous Risk Management

The rebranding of the Housing Authorities Risk Retention Pool (HARRP), the Affordable Housing Risk Pool (AHRP) and the ORWACA Agency Insurance Services, LLC to Synchrous Risk Management was released in 2020. The rebranding achieved the "blending" of all three entities into one name that is designed to capture the vast array of services available to affordable housing providers. Operations of all three entities will continue their full-service offerings under the shared Synchrous name and a new visual identity. HARRP, AHRP and the ORWACA Insurance Agency will continue to operate as the legal entities, so all financial transactions will remain delineated appropriately. Synchrous was intentionally formed to provide a unified point for risk management and specific coverages for affordable housing providers, be it public, LIHTC and/or non-profit.

Serving Oregon, Washington, California, and Nevada, Synchrous ensures rate stability through risk-sharing pools for public housing authorities and non-governmental owners of affordable housing properties. Pool participants have personal access to specialized expertise and care through legal counsel services and training, including an extensive resource library and Attorney Helpline. The combined service offering from Synchrous defines a sole focus on affordable housing, delivering greater value by providing higher limits and more coverage for less cost than traditional commercial insurers.

The Synchrous name exemplifies how we have worked together with you in providing better claims service and risk management solutions focused on serving affordable housing entities and owners. It represents a unified and professional banner under which we can all more easily engage and offer our unique range of services. Throughout our close collaboration during the process and following a unanimous vote of confidence from our Board of Directors, the Synchrous name now signifies everything we do. We hope you feel as strongly connected to it as we do.

Investments

Both the public entity and affordable housing pool each maintain its own separate investment accounts. Administered by Graystone Consulting, a business division of Morgan Stanley, the investment accounts maintain the surplus funds earning the maximum revenue from interest earnings. Income derived from these investments are used in determining future rates and acts as a "buffer" to absorb fluctuations in claims or insurance market conditions.

Investments are government backed securities as stipulated by the public entity investment laws of the States of Washington, Oregon, Nevada, and California. At the conclusion of 2023, the consolidated surplus was approximately $24.5M. The surplus represents a confidence level of just over 99%, which affirms that the pools are funded in excess of 99% of any foreseeable situation.

Coverages

Both the public entities pool (HARRP) and the affordable housing pool (AHRP) provide many types of coverage for its pool participants. Each line of coverage is a manuscript coverage agreement and is a contract between the pool and participating agency, which provides any dispute in coverage terms to be settled under contract law.

Each pool provides the basic lines of coverage: property and general liability. Operations of public housing authorities vary greatly from those of an affordable housing provider, in that public housing authorities have employees, vehicles, and housing choice voucher exposures. As each pool was built to provide coverage for specific risks of the insured, only general liability and property were developed for the affordable housing pool.

continues page 5

***SYNCHROUS** Continues...*
from page 4

General Liability
Both pools provide general liability coverage, which protects members from premises liability exposures and third-party claims that may result in tort liability. Currently, the limits are $2M per occurrence. Additional excess liability limits are optional and available for both pools.

Property
Both pools provide property replacement coverage. The program has a self-insured retention layer and reinsurance purchasing for a total of $47M limit of coverage per occurrence, per participating pool member. The property coverage covers real and personal property of the pool participant and expediting expenses and business interruption coverage for losses sustained at administrative offices. Optional coverage is available for loss of rents, designed to continue cash flow in the event of loss of rents due to the repair of damaged units. Contents coverage is also provided and is based on valuations provided by the pool participant. Also included in the property coverage is equipment breakdown coverage, which extends the coverage to critical electrical and mechanical systems. The property program has a base deductible of $5,000 per occurrence and the public entity pool, HARRP, has options for higher deductibles which link to discounts. The default property deductible for 2023 remained at $5,000 per occurrence to continue to shift some of the loss costs away from the pools and to align with current industry standards of commercial property deductibles.

Fidelity
Both pools are protected from losses they might suffer because of employee dishonesty or the loss of monies and/or securities. The basic program limits are $100,000 per occurrence for employee dishonesty and $10,000 per occurrence for loss of monies and/or securities. Higher limits are available in denominations of $100,000 per occurrence for an additional cost.

Public Officials Errors & Omissions Liability
Only available to the public entities pool, this coverage is intended to protect HARRP's member housing authorities, their employees, commissioners, and volunteers from liability arising from the official, non-arbitrary decisions they make on behalf of the authorities, subject to appropriate conditions. The coverage includes employment related exposures such as allegations of wrongful termination, whistleblowing, retaliation and discrimination. The limits for this coverage are included in the general liability limits of $2M per occurrence with $2M aggregate. Each member is responsible for the greater of 10% of each loss or a minimum deductible of $2,500.

Automobile Liability and Physical Damage
Only available to the public entities pool, this coverage protects the member housing authorities against risks associated with the ownership and use of automobiles. The limit is $2M per occurrence. Due to multi-state regulations, auto coverage options are tailored to comply with each state's specific requirement.

Section 8 Liability
Only available to the public entities pool, HARRP provides liability coverage for member housing authorities associated with Section 8 vouchers. The Section 8 line of protection provides coverage for liabilities encountered with the administration of vouchers.

continues page 6

SYNCHROUS

SYNCHROUS *Continues...*
from page 5

Reinsurance

Third party claims against pool participants and first party claims by pool participants for damages sustained at their properties comprise the largest expenditure for both of Synchrous' pools. In the past ten years, the cost to resolve claims against and by the pool participants have totaled just shy of $820 million.

Reinsurance can be described as insurance for insurance companies. This relationship lets the commercial insurance company, or self-insured pools, retain more predictable, frequent, and smaller claims while transferring the less predictable, infrequent, and catastrophic claims to a myriad of other insurance providers to achieve the spread of cost of loss among many companies for an agreed upon premium.

Both the public entity pool and affordable housing risk pools have always been focused on providing an alternative to the volatile commercial markets. Stability of rates has been the primary focus of risk sharing pools.

During the past four years, the reinsurance markets have been profoundly impacted by a series of conditions never encountered. These conditions include global catastrophic loss expenses, retraction of capacity in reinsurance, exodus of reinsurers from underwriting certain lines of coverage and risk tolerance of the reinsurance industry. Highest on this list is the risk from wildfires. The threat of wildfires continues to be a driving factor in reinsurance procurement and will be for the foreseeable future. The pools have experienced an average of 700% increase in the last four years in acquiring reinsurance to complete the $47M property limit structure. Reinsurance restructuring proved to be an absolute necessity to obtain coverage and, with that, many new requirements were necessary to obtain the coverage, many of which substantially changed the way the risk sharing pools functioned.

Even though the future of reinsurance acquisition continues to be volatile, the pools experienced moderation in the increases in costs for 2023. Industry experts are predicting this hard market will continue for at least two more years, perhaps longer if reinsurance companies cannot return to profitability. The staff and Board of Directors continue to investigate options to effectively manage the cost, availability, and the new reality of reinsurers limiting coverage through exclusionary language.

By practicing effective risk management procedures, participants in both pools can assist in reducing claims and the cost of claims. In these unprecedented times, keeping the pools together is the most effective way of riding this storm out. Synchrous is here to assist your agency in any way we can.

Claims Management

Both the public entity and affordable housing pool administers all claims processing in-house. Both pools contract with third party claims adjustors, defense attorneys, and other specialists, in the defense of a claim or reconstruction of assets. Both the frequency of claims and the amount of funds to adjust the claims have increased steadily for several years. Reconstruction costs due to material, manpower shortages and code enhancement requirements have skyrocketed in the past three years, thus driving the increased costs.

As a member owned and controlled organization, both pools attempt to achieve the highest level of satisfaction in the defense and management of claims. The pools recognize that it must exercise independent judgement to act in the best interest of the pools, as a whole. Communication between

continues page 7

SYNCHROUS *Continues...*
from page 6

the pool participant and the pools is essential for the proper defense and resolution of claims. The management philosophy on claims management is to pay what is owed and to fight those claims that are questionable or unreasonable. Neither pool expends funds for nuisance claims and actively pursues coverage for its participants, rather than searching for loopholes to exclude coverage and deny a claim.

Risk Control Services

Accidental losses happen. There is no way around it. However, proactive intervention rather than reactive treatment is paramount to any business operation.

Synchrous provides a vast array of services and resources to assist the pool's participants in controlling losses. Available to both the public entity pool and the affordable housing pool, these resources are continually evaluated and updated based on usage, relevancy, and effectiveness. Synchrous is continuously researching material that may assist our participants' internal risk control activities.

Synchrous offers a variety of reviewing services for purposes of risk control.
These services include:

- Wording and review of the insurance portion of agreements/contracts
- Policy comparisons
- Finding creative solutions on how to effectively service vulnerable populations
- Underwriting
- Coverage or risk control-related questions
- Addressing and discussing management challenges
- In-person address of safety concerns and identifying safety hazards at properties
- Consultation regarding major changes at your agency and upcoming projects/programs

Synchrous also offers a variety of tools and resources for purposes of risk control, including:

- Attorney Helpline
- Relevant loss control/safety/HR articles and links
- Sample policies and indemnification language
- Contractual risk transfer consultation
- On-demand, web-based, live and in-person training
- Fair Housing training
- HSB water sensor program

Additionally, Synchrous provides live in-person or web-based training for topics like Claims 101, on-boarding, Contractual Risk Transfer, and more. Defensive driving classes are subsidized every 2-3 years for our pooling participants. Synchrous has produced training webinars that are available live or on-demand for topics ranging from Insurance 101, Accidents Happen, Now What? and Contractual Risk Transfer.

Our pooling participants can also arrange their own training sessions. Providing that the training is focused on reducing claims, Synchrous may assist in covering the costs. Synchrous provides grants to its pool participants on a first come, first served basis through its risk control grants.

Staff

There are ten full-time employees administering services and solutions for the public entities pool. The same staff are under contract to provide the same level of expertise and service for the affordable housing pool and the insurance agency. This team is deeply committed to supporting the mission of our members and policyholders. All staff members bring a high level of expertise and broad experience with the issues typically faced by housing providers, risk pools and the commercial insurance industry.

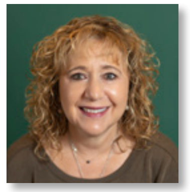
As with most small offices, the staff relies heavily on cross training to ensure smooth transitions and uninterrupted service to its members and policyholders. Staff members have over 150 years of combined experience and take great pride in serving all pooling participants.

William (Bill) Gregory,
Executive Director
Overall management, regulatory compliance, risk control issues, compliments, complaints, suggestions, coverage issues, board relations, human resources.

Rick Gehlhaar,
Director of Claims
New and existing claims, claim status and resolution issues, litigation issues.

Cindy Steele,
Director of Risk Management & Underwriting
Risk control, training, underwriting, marketing, coverage analysis

Tom Williams,
Deputy Director of Claims
New and existing claims, claim status and resolution issues, litigation issues.



Michelle Frye,
Director of Finance
Accounts receivable, accounts payable, financial statements, human resources.

Pat Saldana,
Claims Specialist
New and existing claims, claim status and resolution issues, litigation issues.

Robin Cox,
Policy & Claims Administrator
New and existing claims, claim status and resolution issues. Administers the internal insurance agency operations and underwriting.

Karen Fallows,
Senior Policy Administrator
AHRP policy processing, billings, database management and AHRP quoting.

Rachel O'Neil,
Public Entities Policy Administrator
HARRP policy management, renewals and certificates, office management and staff support services.

Darla Cazares,
Accounts Receivable & Administrative Specialist
General staff services support, accounting/financial department support services, and office management

Mission Statement: HARRP

The mission of the Housing Authorities Risk Retention Pool (HARRP) is to provide needed insurance benefits for its Public Housing Agency members on a consistent basis at stable, affordable rates.

HARRP WILL STRIVE TO:

- Provide Member Public Housing Agencies with the broadest form of insurance coverages possible while maintaining strong, sound financial business practices.
- Take a leadership role in meeting members' needs to control risk and provide high quality risk management services.
- Encourage member participation by keeping them informed of HARRP activities through regular newsletters and meetings and by soliciting feedback on HARRP operations.
- Provide prompt, courteous service to its members.
- Increase the membership of Public Housing Agencies seeking stable, affordable insurance coverage who are supportive of HARRP services and management and who meet HARRP underwriting criteria.

Overview
Public Entity Pool

The public entity risk pool, known and operating as the Housing Authorities Risk Retention Pool (HARRP), was formed in 1987 due to the commercial insurance market abandoning public sector entities. In response, HARRP was formed for the purpose of operating and maintaining, for participating public housing authorities, a cooperative program of risk management and indemnification and financial protection against risks of loss.

Obligations for membership into the public entities pool provide stability to the program that serves all 82 members. Each participating agency agrees to remain in HARRP for a period of not less than three (3) years beginning on the date upon which the coverage terms first become effective. A participating agency may terminate its participation in HARRP at any time after such three-year period has expired upon giving 90 days' prior written notice to termination of participation and providing the effective date of termination. Once participation in HARRP is terminated, the participating agency cannot re-apply for coverage for a period of three (3) years from the date of withdrawal and must conform to the underwriting criteria that is currently in place at the time of application. The participating agency may not be "double covered" with the coverage afforded by the pool and any other insurance. If double covered, HARRP will be the secondary payor to the other insurer. HARRP also requires each member to be dedicated to risk management principles, including risk control activities designed to minimize the impact to the pool.

There are numerous benefits for public housing authorities to become a member of HARRP.
Below is a partial list:

- **Member Focused and Responsive:** The Board of Directors consists of PHA Executive Directors who understand how their decisions will affect members.

continues page 10

PUBLIC ENTITY POOL

POOLING *Continues...*
from page 9

■ **Cost Effective:** As a public entity, HARRP has no profit load, no taxes, no state insurance commissioner fees and pays no commissions. All this controls the costs of providing specific coverage for members.

■ **Tailored Coverage:** HARRP utilizes a manuscript coverage agreement, which simply means that the Board of Directors controls what is and what is not covered. This provides unparalleled flexibility to quickly adapt to changing conditions. Any coverage adjustments can be done internally and does not need to be validated by state insurance officials. The coverages are designed to encompass day to day operational risks encountered by members, not an off the rack insurance product that covers exposures that are not present in PHA operations.

■ **Long Term Rate Stability:** Pooling spreads the cost of risk among the members, thus stabilizing costs. There is approximately $24.5M in retained surplus. These funds can be used to absorb fluctuations in market pressures or adverse claims experience.

■ **Equity:** Each member of the pool is an owner of the pool; therefore, each owner has equity. If HARRP were to cease operations at the end of the year, each current member would be entitled to pro-rated accrued equity, or approximately $24.5M. Withdrawing members lose all equity that they have accumulated. New members start at zero equity and build as they participate. The retained surplus could also be returned to current members as a dividend, which has been done in the past, but it has always been the will of the Board of Directors to retain that equity for rate stability. Equity return would be based on the members' contributions to the pool versus the claims paid for the period in which a member was active and the date of dissolution of the pool.

■ **HUD Waiver:** HUD's regulation 24 CFR 965 governs public housing insurance requirements. Being a member of HARRP fulfills the requirements and eliminates the need for the PHA to go to competitive bidding.

■ **Risk Control, Training, Claims Administration:** HARRP offers a wide array of services and aggressive claims resolution. This includes online training, in-person staff training, attorney helpline and HARRP provided speakers on specific subjects such as Fair Housing. The claims philosophy at HARRP is to pay claims that are justified and fight those claims that are not.

■ **Non-Assessable:** The pool cannot assess members, in the event of dissolution of the pool, for future liabilities. Many pools that experience excessive claims assess their members for the shortfall of funds needed to pay the claims. These assessments can sometimes be decades after the claims have occurred and many times assessments are levied against former members that no longer participate in the pool.

■ **Subsidiaries:** The affordable housing risk pool, known and operating as the Affordable Housing Risk Pool, LLC (AHRP) with its subsidiary, the ORWACA Agency Insurance Services, LLC, rounds out HARRP's mission of being a one stop shop for commercial insurance products for affordable housing providers. These subsidiaries are designed to bring all the needed insurance products under one roof, be it through self-insured pooling or on the open, traditional insurance marketplace.

Public Entity Pool Board of Directors

The public entity pool Board of Directors is comprised of nine members, three representing the Association of Washington Housing Authorities, three representing the Housing Authorities of Oregon, and three representing the California Association of Housing Authorities. The Directors are subdivided into three classes, each class with a staggered term of three years. Annually, one-third of the Board is elected at separate meetings of each Association. The Board of Directors meet quarterly and is responsible for establishing policy, rate setting, claims, risk management and other administrative functions. Ad hoc committees are formed by the Board when necessary to handle specific issues, projects or urgent concerns between regularly scheduled Board of Directors' Meetings.

The public entities pool Board of Directors are as follows:

WASHINGTON


Renée Rooker
Executive Director,
Walla Walla Housing Authority
Walla Walla, WA
(Term ends 2025)


Duane Leonard
Executive Director,
Housing Authority of the County
of Snohomish • Everett, WA
(Term Ends 2026)


Pam Parr
Executive Director,
Northeast Washington Housing
Solutions • Spokane, WA
(Term ends 2024)

OREGON


Joel Madsen
Executive Director,
Mid-Columbia Housing
Authority • The Dalles, OR
(Term Ends 2025)


Jacob Fox
Executive Director,
Homes for Good
Eugene, OR
(Term Ends 2026)


Janeal Kohler
Executive Director,
Housing Authority of
Douglas County • Roseburg, OR
(Term Ends 2024)

CALIFORNIA/NEVADA


Bob Havlicek
Executive Director,
Housing Authority of the
County of Santa Barbara
Santa Barbara, CA
(Term Ends 2025)


Ken Kugler
Executive Director,
Housing Authority of
the County of Tulare
Visalia, CA
(Term Ends 2026)


Jim Kruse
Executive Director,
Stanislaus Regional
Housing Authority
Modesto, CA
(Term Ends 2024)

PUBLIC ENTITY POOL

Member List

California Housing Authorities

California Affordable Housing Agency
Calexico Housing Authority
Community Development Commission of Mendocino County
Housing Authority of the City of Alameda
Housing Authority of Alameda County
Housing Authority of the City of Benicia
Housing Authority of the County of Butte
Housing Authority of the City of Eureka
Housing Authorities of the City and County of Fresno
Housing Authority of the County of Humboldt
Housing Authority of the County of Kern
Housing Authority of Kings County
Housing Authority of the City of Madera
Housing Authority of the County of Merced
Housing Authority of the County of Monterey
Housing Authority of the City of Needles
Housing Authority of the City of Riverbank
Housing Authority of the County of San Bernardino
Housing Authority of the County of San Joaquin
Housing Authority of the City of San Luis Obispo
Housing Authority of the City of Santa Barbara
Housing Authority of the County of Santa Barbara
Housing Authority of the County of Santa Cruz
Housing Authority of the County of Tulare
Housing Authority of the City of Vallejo
Imperial Valley Housing Authority
Regional Housing Authority
South San Francisco Housing Authority
Stanislaus Regional Housing Authority.
Plumas County Community Development Commission

Oregon Housing Authorities

Housing Works – (aka Central Oregon Regional Housing Authority)
Housing Authority of Clackamas County
Coos-Curry Housing Authority
Housing Authority of Douglas County
Housing Authority of Jackson County
Josephine Housing & Community Development Council
Klamath Housing Authority
Homes for Good (aka the Housing Authority of Lane County)
Housing Authority of Lincoln County
Linn-Benton Housing Authority
Housing Authority of Malheur County
Marion County Housing Authority
Mid-Columbia Housing Authority
North Bend City Housing Authority
Northeast Oregon Housing Authority
Housing Authority of Salem
Housing Authority of the County of Umatilla
Washington County Department of Housing Services
West Valley Housing Authority
Housing Authority of Yamhill County

Washington Housing Authorities

Housing Authority of the City of Anacortes
Housing Authority of Asotin County
Bellingham/Whatcom County Housing Authorities
Housing Authority of the City of Bremerton
Housing Authority of Chelan Co. & the City of Wenatchee
Housing Authority of Clallam County/
Peninsula Housing Authority
Columbia Gorge Housing Authority
Everett Housing Authority
Housing Authority of Grant County
Housing Authority of Grays Harbor County
Housing Authority of Island County
Housing Authority of the City of Kelso
Housing Authority of the City of Kennewick
Kitsap County Consolidated Housing Authority
Housing Authority of Kittitas County
Housing Opportunities of Southwest Washington/Longview
Housing Authority
Housing Authority of Okanogan County
Oroville Housing Authority
Housing Authority of the City of Othello
Joint Pacific County Housing Authority
Housing Authorities of Pasco & Franklin County
Renton Housing Authority
Joint City of Republic-Ferry County Housing Authority
Housing Authority of Skagit County
Housing Authority of Snohomish County
Northeast WA Housing Solutions/Spokane Housing Authority
Sunnyside Housing Authority
Housing Authority of Thurston County
Vancouver Housing Authority
Walla Walla Housing Authority
Yakima Housing Authority

Nevada Housing Authorities

Housing Authority of the City of Reno

Synchrous™
RISK MANAGEMENT

Public Pooling

CLAIMS PAID

CLAIMS PAID PER YEAR	
2014	$ 3,092,478.35
2015	$ 2,749,833.68
2016	$ 2,107,388.01
2017	$ 6,868,083.40
2018	$ 6,061,320.67
2019	$ 3,136,306.93
2020	$ 5,265,880.00
2021	$ 3,331,534.57
2022	$ 5,453,156.63
2023	$ 11,469,631.38
	$ 49,535,613.62

PUBLIC ENTITY POOL

Mission Statement: AHRP

> *The Affordable Housing Risk Pool (AHRP) mission is to provide insurance, risk management and exceptional service, specifically tailored for the affordable housing market and instrumentalities of public housing organizations.*

Overview
Affordable Housing Pool

The affordable housing pool, known as, and continuing to operate as the Affordable Housing Risk Pool (AHRP), is a manager managed limited liability company which filed Articles of Incorporation on December 21, 2010. AHRP is wholly owned by the Housing Authorities Risk Retention Pool (HARRP). AHRP was born from the need for an alternative to traditional insurance for affordable housing providers, specifically tax credit partnerships and non-profit housing. The intent was to replicate the affordable housing pool, as close as possible, to the successful formula of the public entities pool, HARRP. The affordable housing pool wrote its first policy on March 31, 2011.

AHRP is a taxable entity and requires reliance on insurance markets for its operations. The largest hurdle facing AHRP is the requirement of lenders' adherence to the AM Best rating. This requires AHRP to "front" the program. This means that AHRP is purchasing the AM Best rating to satisfy the lenders. The structure of AHRP is much more complicated than its parent, HARRP, but in essence AHRP is an insured program with AHRP reinsuring the "front" for the first $1M of all losses. All losses above $1M are purchased in a traditional method from commercial insurance markets.

AHRP's first year of policy issuance was for affiliated entities/instrumentalities of the HARRP members. In 2012, AHRP opened up to qualified affordable housing entities with no affiliation to public housing authorities. Many of these early policies were written as a group policy. Participants in AHRP have no ownership in the pool and are not classified as members. The AHRP clients are simply buying an insurance policy. Like HARRP, AHRP new submissions are thoroughly underwritten to assure proper fit and adherence to HARRP and AHRP philosophies on risk management.

There are numerous benefits for participating in AHRP. Below is a partial list.

- **Focused and Responsive:** The Board of Directors consists of seven PHA Executive Directors and two Policyholder representatives that have no affiliation with public housing authorities. Each board member understands how their decisions will affect the pool and the policy purchasers.

- **Cost Effective:** AHRP is not required to file with any of the state insurance departments and pay filing fees. Additionally, the reinsurance purchasing is group based, which reduces the costs of coverage. Another benefit is the wide footprint of AHRP's risks, 432,000 square miles. AHRP has no profit load and no commissions paid. All this controls the costs while providing specific coverage for policy purchasers.

- **Stability:** The insurance industry has experienced a prolonged hard market, meaning it is an insurers market. The coverage capacity globally has significantly retracted over the past four years. As such, costs have exploded and obtaining coverage has continued to be difficult. This market has impacted all insurance markets and AHRP has had to place rate increases in order to purchase reinsurance. What AHRP has not done is cancel or non-renew policies for its policyholders. This has become a common occurrence in the traditional commercial insurance marketplace. AHRP provides coverage stability in a tumultuous insurance environment, and at some point, will once again provide rate stability when the reinsurance markets stabilize.

continues page 15

***AFFORDABLE HOUSING** Continues...*
from page 14

- **Tailored Coverage:** AHRP utilizes a manuscripted coverage agreement, which means that the Board of Directors controls what is and what is not covered. This provides unparalleled flexibility to quickly adapt to changing conditions. Any coverage adjustments can be done internally and do not need to be validated by state insurance officials. The coverage is designed to encompass day to day operational risks encountered by policyholders, not an off the rack insurance product that covers exposures that are not present in housing operations.

- **Risk Control, Training, Claims Administration:** AHRP offers a wide array of services and aggressive claims resolution. This includes online training, in-person staff training, loss control grants, attorney helpline and AHRP provided speakers on specific subjects such as Fair Housing. The philosophy at AHRP is to pay claims that are justified and fight those claims that are not.

- **Non-Assessable:** The pool cannot assess members, in the event of dissolution of the pool, for future liabilities. Many pools that experience excessive claims assess their members for the shortfall of funds needed to pay the claims. These assessments can sometimes be decades after the claims had occurred and many times assessments are levied against former members that no longer participate in the pool.

- **Subsidiaries:** The ORWACA Agency Insurance Services, LLC is a subsidiary of AHRP. ORWACA was converted from a corporation to an LLC under AHRP in 2013 in response to concerns voiced by the Washington State Auditor's Office. ORWACA is intended to give both HARRP members and AHRP policyholders a one stop shop for their insurance needs.

Affordable Housing

CLAIMS PAID PER YEAR

CLAIMS PAID

2014	$ 1,951,779.44
2015	$ 1,766,391.09
2016	$ 3,393,953.42
2017	$ 1,453,337.70
2018	$ 3,031,658.02
2019	$ 2,862,560.03
2020	$ 4,722,340.18
2021	$ 2,262,614.69
2022	$ 6,033,895.76
2023	$ 4,985,140.54
	$ 32,463,670.87

Affordable Housing Board of Directors

The affordable housing risk pool incorporates a nine-member Board of Directors. Seven directors are designated as Member Affiliated Directors, and they are elected by the public entity pool Board of Directors. Two directors are designated as Policyholder Affiliated Directors, and they are appointed by the Member Affiliated Directors.

The directors are subdivided into three classes, each class with a staggered term of three years. One third of the Board is elected (or appointed) annually, usually in late March or early April. The Board of Directors meets quarterly and is responsible for establishing policy, rate setting, reinsurance and excess insurance treaties, actuarial analysis, risk management, and overseeing the activities of the contract administrative services.

The Affordable Housing Risk Pool Directors are:

Renée Rooker

Executive Director,
Walla Walla Housing Authority
Walla Walla, WA
AHRP President
(Term ends 2025)

Ken Kugler

Executive Director,
Housing Authority of the
County of Tulare • Visalia, CA
AHRP Vice President
(Term Ends 2026)

Duane Leonard

Executive Director,
Housing Authority of the County
of Snohomish • Everett, WA
AHRP Treasurer
(Term Ends 2026)

Jacob Fox

Executive Director,
Homes for Good
Eugene, OR
(Term Ends 2026)

Janeal Kohler

Executive Director,
Housing Authority of Douglas County
Roseburg, OR
(Term Ends 2024)

Jim Kruse

Executive Director,
Stanislaus Regional Housing Authority
Modesto, CA
(Term Ends 2024)

Joel Madsen

Executive Director,
Mid-Columbia Housing
Authority • The Dalles, OR
(Term Ends 2025)

POLICYHOLDER AFFILIATED DIRECTORS

Vacant Position

Vacant Position

Overview
Insurance Agency

The ORWACA Agency Insurance Services, LLC (agency) can assist with any insurance need that is outside the core scope of coverages provided by the public entity or affordable housing pool. The agency is a fully licensed commercial insurance agency, with the ability to access a multitude of commercial policies to achieve its clients' needs for professional executive risk insurance products and general property & casualty coverages. The agency also has access to bonding markets for unique situations when surety is required.

The following examples serve as a reference of the type of programs needing coverage and products frequently requested. Additional lines of coverage are normally accessible by the agency.

- **Homeless shelters & transitional housing programs**
- **Private non-profit operations & city/county funded operations**
- **Community mental health providers that include housing solutions**
- **Most service providers at your housing authority's properties**
- **Directors' and officers' insurance for independent non-profit boards related to housing**
- **Professional liability (E&O) and miscellaneous professions**
- **Flood and earthquake**
- **DIC – difference in conditions – broadens property forms**
- **Builder's risk – for property in the course of construction**
- **Policies for property and general liability for affiliates & partner non-profits**
- **Sexual misconduct and abuse**
- **Employment practices liability (monoline product policy)**
- **Bonding/surety, notary/bid & performance and miscellaneous bonds**
- **Fund raising or special event policies**
- **Lead based paint professional liability for housing inspectors**
- **Tenant discrimination**
- **Boiler & machinery/mechanical breakdown**
- **Underground storage tank liability & other pollution related coverage**

ORWACA AGENCY INSURANCE SERVICES, LLC

Dedicated to offering insurance services to both the public entity and affordable housing sector, the agency is designed to complement the risk pools in achieving the goal of being a one stop shop for insurance coverage specific to housing risks.

Report of Independent Auditors

The Board of Directors
Housing Authorities Risk Retention Pool and its blended component unit

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Housing Authorities Risk Retention Pool and its blended component units (the "Pool") as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Pool'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 financial position of Housing Authorities Risk Retention Pool and its blended component units as of December 31, 2023 and 2022, and the respective changes in financial position and 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) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 the Pool and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the Pool's ability to continue as a going concern for twelve 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 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Pool'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 Pool'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.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8, and the reconciliation of claims liabilities by type of coverage, the ten-year loss development information, the pension plan information, and notes to required supplementary information on pages 41 through 45 (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

continues page 19

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Housing Authorities Risk Retention Pool and its blended component unit's basic financial statements. The combining statement of net position and combining statement of revenues, expenses, and changes in net position (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024, on our consideration of Housing Authorities Risk Retention Pool and its blended component unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pool's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
March 26, 2024

Management's Discussion and Analysis

The Housing Authorities Risk Retention Pool ("HARRP") management is pleased to offer this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2023. This discussion and analysis includes HARRP as well as HARRP's blended component unit, the Affordable Housing Risk Pool ("AHRP"), and AHRP's subsidiary entity, the ORWACA Agency Insurance Services, LLC ("ORWACA"). We encourage readers to consider the information presented here in conjunction with HARRP's financial statements and notes.

Financial Highlights
HARRP and its blended components, AHRP and ORWACA, concluded 2023 at a loss, primarily driven by record losses for HARRP, offset slightly by a successful year from AHRP and continuing high sales by AHRP subsidiary ORWACA. HARRP claims far outpaced expectations, due primarily to an active winter season and increases in cost of materials and labor for reconstruction. Also influencing these losses is the high cost of court litigation, attorney fees and jury awards.

As such, HARRP and its blended component unit had a net decrease of $792,214 in 2023 compared to a net decrease of $908,953 in 2022. The claim expense for AHRP was better than anticipated, leaving AHRP with a net increase of $1,429,142 compared to a net decrease of $1,040,682 in 2022. ORWACA performed well again in 2023 due primarily to the increased sales of builders' risk policies for new development and rehabilitation projects and saw a net increase of $234,876 compared to a net increase of 132,585 in 2022. HARRP saw a net decrease of $2,456,232 compared to a net decrease of $856 in 2022.

AHRP and ORWACA posted an aggregate net increase of $1,664,019 in 2023 compared to an aggregate net decrease of $908,097 in 2022.

General Program Highlights
HARRP was formed in 1987 as a response to the rapidly escalating costs and availability of public entity insurance. HARRP was formed to pool risks associated with operations of public housing authority agencies. HARRP is governed by a nine-member Board of Directors, elected by and representing member housing authorities that participate in the HARRP program. The Board of Directors oversees operations, policy, claims, underwriting, risk management, and finances.

Claims administration, risk management, financial services, and underwriting are performed in-house. Claims adjusting, actuarial analysis, financial audits, and legal services are outsourced to firms specializing in pooling, habitational risks, employment law, and civil litigation.

HARRP has one blended component unit, AHRP. Launched in 2011, AHRP provides coverage for tax credit partnership and non-profits providing affordable housing. AHRP acquired ORWACA in 2013 at the same time the corporate structure was changed from a corporation to a limited liability company in Oregon. ORWACA is dedicated to procurement

continues page 20

of commercial insurance products for HARRP and AHRP. With two licensed insurance agents, ORWACA specializes in acquiring specialty coverage.

Financial Statement Overview
HARRP and its blended component units report their financial activities as an enterprise fund, utilizing full accrual practices, meaning revenues are booked as earned and expenses are recognized as they are incurred. HARRP and blended component units establish a budget annually to monitor many aspects of the financial condition of the pool.

The annual financial report consists of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows. This report also contains supplementary information in addition to the basic financial statements.

- The Statements of Net Position present information on the pool's assets and deferred outflows of resources and liabilities and deferred inflows of resources, and net position. Increase or decrease in the net position from year to year is an indication of how effectively HARRP and AHRP are rating their programs to assure sufficient funding as well as the level of HARRP's internal administrative efficiency.

- The Statements of Revenues, Expenses and Changes in Net Position present information showing total revenues versus total expenses and how the pools' net position changed from year-end 2022 to year-end 2023. All revenues and expenses are reported on an accrual basis.

In the required supplementary information section of the audit report is the Reconciliation of Claims Liabilities by Type of Coverage, the Ten-Year Loss Development Information and the Pension Plan Information. The Ten-Year Loss Development Information schedule for the most recent 10 years shows loss development which demonstrates whether the originally funded rate was adequate or inadequate to cover the cost of losses as the loss matures. These reports are submitted pursuant to Governmental Accounting Standards Board ("GASB") Statement 10, as amended by Statement 30 and GASB Statement 68.

In the supplementary information section of the audit report, the Combining Statement of Net Position and the Combining Statement of Revenues, Expenses and Changes in Net Position, is presented by program. Hence, HARRP, AHRP and ORWACA are presented separately. This allows specific identification of performance by each program.

continues page 21

Analysis of the Statements of Net Position

	2023	2022	2021
ASSETS			
Current and other assets	$ 49,897,154	$ 46,445,577	$ 43,658,539
Capital assets	-	1,233,844	1,467,694
Deferred outflows of resources	300,710	366,945	206,931
Total assets and deferred outflows of resources	50,197,864	48,046,366	45,333,164
LIABILITIES			
Current liabilities	23,181,022	20,695,468	16,407,064
Noncurrent liabilities	3,091,571	2,528,588	2,716,647
Deferred inflows of resources	216,071	320,896	799,086
Total liabilities and deferred inflows of resources	26,488,664	23,544,952	19,922,797
NET POSITION			
Net investment in capital assets	-	1,233,844	1,467,694
Unrestricted	23,709,200	23,267,570	23,942,673
Total net position	$ 23,709,200	$ 24,501,414	$ 25,410,367

Referral to the accompanying financial statements and the related notes for the financial statements is encouraged.

Assets and Deferred Outflows of Resources
Total assets and deferred outflows of resources increased $2,151,498 from the previous year. This followed an increase in assets and deferred outflows of resources of $2,713,202 in 2022. At December 31, 2023, HARRP and its blended component unit, AHRP, invested approximately $24,179,593 and $6,655,347 respectively, in certificates of deposit, corporate bonds, obligations of the U.S. Government, U.S. Government agencies, and U.S. Government sponsored agencies, as stipulated by applicable State investment statutes. Income derived from these investments is used to offset program costs and accordingly reduces both HARRP's and AHRP's rates.

Capital Assets
At December 31, 2023, HARRP had $0 in net investment in capital assets, net of accumulated depreciation due to the sales of its buildings in 2023.

Liabilities and Deferred Inflows of Resources
On December 31, 2023 and 2022 total liabilities and deferred inflows of resources increased $2,943,712 over the previous period. HARRP and its blended component units' liabilities are generally unearned member contributions (deferred revenue), claim reserves payable at a future date, reserves for incurred but not reported (IBNR) claims, accounts payable, accrued expenses and pension liability.

Analysis of the Statements of Revenues, Expenses, and Changes in Net Position

	2023	2022	2021
REVENUES			
Member contributions	$ 28,423,701	$ 23,766,465	$ 16,749,709
Investment income (loss)	1,606,844	(349,053)	(154,934)
Other income	380,973	266,279	404,003
Total revenues	30,411,518	23,683,691	16,998,778
EXPENSES			
Claims expense	16,453,113	11,487,052	5,594,149
Administration/other expense	14,939,945	13,034,201	10,369,821
Total expenses	31,393,058	24,521,253	15,963,970
OTHER INCOME (EXPENSES)			
Gain (loss) on sale	189,326	(71,391)	-
CHANGE IN NET POSITION	(792,214)	(908,953)	1,034,808
Net position, beginning	24,501,414	25,410,367	24,375,559
Net position, ending	$ 23,709,200	$ 24,501,414	$ 25,410,367

Referral to the accompanying financial statements and the related notes for the financial statements is encouraged.

Revenues
Members contribute funds to the pool allowing HARRP to manage its objective of selfinsurance. The predominant source of revenue is member contributions. Each year, HARRP conducts an actuarial analysis to determine contribution levels, which are based on loss trends, exposure units, and other trending factors. Rates are ultimately adopted by the Board of Directors.

HARRP's revenues (exclusive of investment income) increased in 2022 due to changes in exposure units covered. AHRP's revenues (exclusive of investment income and commissions) increased due to changes in exposure units covered as well as rate changes. AHRP began accepting new business from all lowincome tax credit and nonprofit affordable housing providers on January 1, 2013. Previously, only those entities affiliated with a HARRP member were able to secure coverage through AHRP.

continues page 25

Statements of Net Position

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 17,904,852	$ 16,321,853
Interest receivable	351,764	200,454
Investments	1,337,751	9,343,672
Restricted investments	56,759	1,345,073
Accounts receivable	514,175	280,223
Prepaid expenses	173,018	99,202
Total current assets	20,338,319	27,590,477
NET PENSION ASSET	197,851	126,198
DEFERRED INCOME TAX ASSET	272,317	233,711
NON-CURRENT INVESTMENTS	24,224,953	15,194,385
NON-CURRENT RESTRICTED INVESTMENTS	4,863,714	3,300,806
CAPITAL ASSETS, net	-	1,233,844
DEFERRED OUTFLOWS OF RESOURCES	300,710	366,945
Total assets and deferred outflows of resources	$ 50,197,864	$ 48,046,366

	2023	2022
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,155,642	$ 1,185,943
Unearned contributions	12,628,454	11,317,593
Income tax payable	138,009	1,500
Current portion of losses and loss adjustment expense reserves	9,258,917	8,190,432
Total current liabilities	23,181,022	20,695,468
NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES	3,091,571	2,528,588
DEFERRED INFLOWS OF RESOURCES	216,071	320,896
Total liabilities and deferred inflows of resources	26,488,664	23,544,952
NET POSITION		
Net investment in capital assets	-	1,233,844
Unrestricted	23,709,200	23,267,570
Total net position	23,709,200	24,501,414
Total liabilities, deferred inflows of resources and net position	$ 50,197,864	$ 48,046,366

Statements of Revenues, Expenses, and Changes in Net Position

	2023	2022
OPERATING REVENUES		
Contributions earned	$ 28,423,701	$ 23,766,465
Commissions	380,973	266,279
Total operating revenues	28,804,674	24,032,744
OPERATING EXPENSES		
Change in losses and loss adjustment expenses incurred	16,453,113	11,487,052
Excess and reinsurance expense	12,268,859	10,848,543
Professional fees	356,351	221,124
Salaries and benefits	1,627,310	1,404,552
General and administrative expense	495,602	438,967
Depreciation expense	3,170	49,013
Total operating expenses	31,204,405	24,449,251
OPERATING LOSS	(2,399,731)	(416,507)
NON-OPERATING INCOME (LOSS)		
Gain (loss) on disposal	189,326	(71,391)
Investment gain (loss)	1,606,844	(349,053)
DECREASE IN NET POSITION BEFORE INCOME TAX EXPENSE	(603,561)	(836,951)
INCOME TAX EXPENSE	(188,653)	(72,002)
DECREASE IN NET POSITION	(792,214)	(908,953)
NET POSITION, beginning of year	24,501,414	25,410,367
NET POSITION, end of year	$ 23,709,200	$ 24,501,414

Statements of Cash Flows

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	$ 29,500,610	$ 25,529,459
Commissions received	380,973	266,279
Interest received	2,260,363	362,844
Taxes paid	(90,750)	(72,302)
Losses and loss adjustment expenses paid	(14,821,645)	(10,025,728)
Salaries and benefits paid	(1,737,553)	(1,485,716)
Other amounts (paid) received	(599,719)	228,071
Professional fees paid	(356,351)	(221,124)
Excess insurance expenses paid	(12,268,859)	(10,848,543)
Net cash provided by operating activities	2,267,069	3,733,240
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(20,901,248)	(36,858,532)
Proceeds from sales and maturities of investments	18,797,178	28,777,384
Proceeds from sales of fixed assets	1,420,000	216,892
Net cash used by investing activities	(684,070)	(7,864,256)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS	1,582,999	(4,131,016)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS, beginning of year	16,321,853	20,452,869
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS, end of year	$ 17,904,852	$ 16,321,853

	2023	2022
RECONCILIATION OF DECREASE IN NET POSITION TO CASH PROVIDED BY OPERATING ACTIVITIES		
Decrease in net position	$ (792,214)	$ (908,953)
Adjustments to reconcile decrease in net position to net cash provided by operating activities		
Depreciation expense	3,170	49,013
Deferred income taxes	(38,606)	-
Deferred inflows	(104,825)	(478,190)
Deferred outflows	66,235	(160,014)
Pension asset	(71,653)	557,040
(Gain) loss on disposal of assets	(189,326)	71,391
(Gain) loss on sale of investments	(247,764)	7,313
Change in fair value of investments	1,052,593	805,424
Changes in assets and liabilities		
Interest receivable	(151,310)	(100,840)
Accounts receivable, net	(233,952)	(196,090)
Prepaid expenses	(73,816)	(13,199)
Accounts payable and accrued expenses	(30,301)	680,237
Unearned contributions	1,310,861	1,959,084
Income tax payable	136,509	(300)
Losses and loss adjustment expense reserves	1,631,468	1,461,324
Net cash provided by operating activities	$ 2,267,069	$ 3,733,240

Expenses
HARRP and AHRP administration costs are comprised of administration and claim handling costs. In 2023, HARRP's and its blended component unit's administration and claim expenses increased by $6,871,805, compared to an increase of $8,557,283 in 2022. This is due primarily to the increased number of losses, additional costs of adjusting those claims, rising reinsurance rates and administrative expenses increasing due to succession strategies.

Debt Administration
Neither HARRP nor AHRP have any existing or pending long term debt. HARRP is positioned to finance bonds in the four states in which it operates to raise capital, if necessary. There are no plans to raise capital through capital contributions, bond financing or other means. In the 35 years since inception, HARRP has not had to rely on debt financing to fund any portion of its operations.

Forecast of Facts or Conditions Affecting Results of Operations
HARRP benefits from its long-term existence as a risk pool. HARRP's cumulative surplus assures HARRP's solvency. HARRP, like most public entity pools, has suffered due to stringent investment guidelines to which the pool must adhere that limit investments to short-term government securities. Much of HARRP's investment portfolio is maturing and will be reinvested with very low returns. Historically, investment income supplements the revenue generated by pool contributions and is a crucial factor in rate setting at the end of the year.

The industry trending prediction has property and casualty markets continuing to harden, which means the capacity in the insurance markets is decreasing. Insurance companies typically increase rates when capacity is low.

In 2011, HARRP obtained board and member approval to launch AHRP. The growth of AHRP has been steady through its 12-year history.

Financial Contact
This financial report is designed to provide a general overview of the finances of HARRP and its subsidiaries. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authorities Risk Retention Pool, 4660 NE 77th Avenue, Suite 310, Vancouver, WA 98662.

Notes to Financial Statements

Note 1 – Significant Accounting Policies

Nature of Operations
Housing Authorities Risk Retention Pool ("HARRP") was established to serve affordable housing providers pursuant to specific statutes in Oregon, Washington, California and Nevada for the purpose of operating property, general liability, automobile, fidelity, tenant discrimination and public officials' errors and omissions coverage to participants.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Reporting Entity
The governmental reporting entity consists of HARRP, the primary government, and its blended component units.

Component units are legally separate organizations for which the Board of Directors is financially accountable or other organizations whose nature and significant relationship with HARRP are such that exclusion would cause HARRP's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either HARRP's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on HARRP. The basic financial statements include blended component units. The blended component units are legally separate entities, and are considered, in substance, part of HARRP's operations, and so data from these units is combined with data of the primary government.

continues page 26

Note 1 continues...
from page 25

The Pool's operations include two blended component units, which are included in the basic financial statements and consists of two legally separate entities, Affordable Housing Risk Pool ("AHRP") and ORWACA Agency Insurance Services, LLC ("the Agency") (collectively, "the Pool"). The Agency is a member managed LLC owned by AHRP (100% ownership). AHRP began operations on March 31, 2011. AHRP is a 100% owned subsidiary of HARRP.

Governmental Accounting Standards Board ("GASB") requires that the financial statements of AHRP and the Agency be blended into HARRP's financial statements. Separately issued financial statements for AHRP and the Agency may be obtained by contacting the Executive Director, HARRP, 4660 NE 77th Avenue, Suite 310, Vancouver, WA 98662.

Basis of Accounting
The Pool maintains its accounting records as a proprietary fund using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Pool distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses are derived from providing services in connection with the Pool's ongoing operations. The primary operating revenue is contributions from member entities. Operating expenses include claims expenses and general and administrative expenses. All other revenue and expenses not meeting this definition are classified as non-operating revenues and expenses. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Pool has applied all applicable GASB pronouncements in the financial statements.

Use of Restricted and Unrestricted Resources
When both restricted and unrestricted resources are available for use, it is the Pool's policy to use restricted resources first, then unrestricted resources as they are needed.

Membership
HARRP was comprised of 82-member public housing authorities at December 31, 2023. HARRP has 82 members who participate in Crime, 82 members who participate in General Liability, 12 members who participate in Excess Liability, 81 members who participate in Errors & Omissions, 1 member who participates in Stand Alone Employment Practices Liability, and 80 members who participate in Property.

AHRP's policyholders consist of non-profit and low-income tax credit affordable housing providers affiliated with HARRP. AHRP provides policyholders property, general liability and tenant discrimination insurance coverage. AHRP had 393 member policies issued and outstanding at December 31, 2023.

Under HARRP's Intergovernmental Cooperation Agreement, new members may be admitted by a majority vote of the Board of Directors.

Upon entry into HARRP, members may not voluntarily withdraw for a period of three years. Members must submit 30 days written notice prior to voluntary withdrawal. Members may be expelled by a majority vote of the HARRP Board of Directors. The effect of withdrawal does not terminate the responsibility of the member for any unpaid premiums.

Description of Programs
The Pool's Self Insurance Programs (Auto Liability, General Liability, Errors & Omissions, Property and Employment Practices) were established for the purpose of operating and maintaining a self-insurance or group insurance program. Member contributions for coverage are to be used for the payment of, but not limited to, the following:

- Self-insured claim payments
- Reinsurance premiums
- Claims administration expenses
- Investigative costs
- Legal costs
- Internal administration service costs
- Audit costs
- Actuarial expenses
- Miscellaneous

continues page 27

Note 1 continues...
from page 26

The Board of Directors determines contribution requirements annually for the self-insurance programs adequate to fund for internal administration, projected losses and excess insurance costs. Member deductibles, self-insured retention ("SIR"), reinsurance and excess insurance for each program under HARRP are as follows:

Auto Liability	
Member Deductible	None
SIR Auto Physical Damage	Actual Cash Value
SIR Bodily Injury & Property Damage	$2,000,000 per occurrence
General Liability	
Member Deductible	None
SIR	$2,000,000 per occurrence
Errors & Omissions	
Member Deductible	10% co-share of claim per occurrence
SIR	$2,000,000 per occurrence
Property	
Member Deductible	$0 to $25,000 per occurrence (varies)
SIR	$2,000,000 per occurrence
Excess Property	$2,000,001 to $45,000,000
Employment Practices	
Member Deductible	10% co-share of claim per occurrence
SIR	$2,000,000 per occurrence

Policyholder deductibles, SIR, reinsurance and excess insurance for each program under AHRP are as follows:

General Liability	
Deductible	None
SIR	$1,000,000 per occurrence
Reinsurance	$1,000,000 per occurrence
Property	
Deductible	$0 to $10,000 per occurrence (varies)
SIR	$1,000,000 per occurrence
Reinsurance	$1,000,000 per occurrence
Excess	$2,000,001 to $45,000,000

continues page 28

Advertising
Advertising costs are expensed as incurred. Advertising expense was $62,827 and $60,442 for the years ended December 31, 2023 and 2022, respectively.

Cash and Cash Equivalents
The Pool considers all highly liquid investments with an original maturity of three months or less and money market mutual funds to be cash equivalents. The amount of the Pool's cash is covered by federal depository insurance up to $250,000. Should the Pool's deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with Washington law requiring the depository bank to hold collateral equal to 100% of the excess government funds on deposit.

ORWACA Insurance Agency, LLC cash is restricted for use by the State of Washington until the premiums are paid to the respective insurance companies. No cash was considered restricted as of December 31, 2023 and 2022.

Restricted cash equivalents are designated for the benefit of The Princeton Excess and Surplus Lines Insurance Company ("PESLIC") (see Notes 1 and 6).

Accounts Receivable
Accounts receivable reflects uncollateralized amounts due from members for contributions billed and commissions due from insurance companies. The Pool grants credit to housing authorities, low income housing tax credit partnerships, and non-profit corporations in Oregon, Washington, California and Nevada. Contributions are due from housing authorities and policyholders generally prior to the start of the coverage period. Interest is not charged on delinquent balances. Management individually reviews all delinquent balances and works with the housing authority and policyholder to collect amounts owed. Receivable balances delinquent more than 90 days were $64,869 and $220,037 as of December 31, 2023 and 2022, respectively. The Pool did not provide an allowance for doubtful accounts as all accounts are considered collectible.

Unearned Contributions/Prepaid Expenses
Policy period-end varies by policyholder. As such, certain contributions are treated as deferred and certain expenses as prepaid. This is to reflect a proper matching of contributions and expenses for the fiscal year-end financial statements.

Investments
The Pool records its investments at fair value. Changes in fair value are reported as nonoperating income or loss in the statements of revenues, expenses and changes in net position. Fair value of investments has been determined by the Pool based on quoted market prices. Realized losses on investments sold in 2023 totaled $247,764. Realized losses on investments sold in 2022 totaled $7,313.

Restricted Cash Equivalents and Restricted Investments
The Pool has money market mutual funds totaling $7,049 and $0 and certificates of deposit and federal agency and corporate bonds totaling $4,913,380 and $4,645,879 at December 31, 2023 and 2022, respectively, as designated for the benefit of PESLIC in accordance with a Regulation 114 Trust (see Note 6).

Capital assets and depreciation
Capital assets are carried at cost. Capital purchases exceeding $10,000 with a determined useful life over one year are capitalized. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. The useful lives of capital assets are estimated as follows:

Building and improvements	39 years
Furniture and equipment	3–5 years

continues page 29

Losses and Loss Adjustment Expense
Each pool establishes claims liabilities based on estimates of the ultimate cost of claims (including future allocated claim adjustment expense) 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. Because actual claims 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, claims 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 claim liabilities are charged or credited to expense in the periods in which they are made.

Net Position
Net position includes the various net earnings from operating income (loss) and nonoperating revenues and expenses. Net position is classified in the following three components:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. At December 31, 2023 and 2022, the Pool did not have any outstanding capitalrelated debt to apply against its net investment in capital assets.

- *Restricted* – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation reduced by liabilities relating to those restricted assets. At December 31, 2023 and 2022, the Pool did not have restricted net position.

- *Unrestricted* – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

Revenue Recognition
Revenues mainly consist of premium contributions from policyholders. Policyholders are typically those organizations in the affordable housing community, primarily tax credit partnerships, affiliated nonprofits and nonprofit affordable housing owners in Oregon, Washington, Nevada and California.

Revenue is matched to the period in which the policyholder has obtained coverage. Revenues are amortized over the coverage period.

Contribution development is performed by actuaries and the Board of Directors based on the particular characteristics of the policyholders. Contribution income consists of payments from policyholders that are expected to match the expense of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs and operating expenses. The contribution revenue is recognized as revenue in the period for which insurance protection is provided.

continues page 30

Note 1 continues...
from page 29

Use of Estimates
In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status
HARRP is exempt from federal and state income taxes under Internal Revenue Code Section 115. AHRP has been formed as a Limited Liability Company and is taxed as an insurance corporation. The Agency is a Limited Liability Company and wholly owned by AHRP. For tax purposes, the Agency is considered a disregarded entity and its operations are combined with AHRP's on AHRP's income tax return.

AHRP's income tax provision is based on the asset and liability method. Deferred income tax assets and liabilities have been provided for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

Management believes the Pool has no material uncertain tax positions and, accordingly, it has not recorded a liability for unrecognized tax expense. To the extent that the Pool was assessed interest or penalties associated

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of all state-sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Recently Adopted Standards
GASB Statement No. 96 – In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement is effective for the Pool in the year ending December 31, 2023 and had no effect on the financial statements for the year ended December 31, 2023.

Note 2 – Investments and Restricted Investments

The Pool had the following investments held in a managed portfolio as of December 31:

	2023	2022
Investment type		
Federal agencies	$ 5,752,692	$ 11,259,887
Certificates of deposit	527,197	1,934,486
Corporate bonds	24,203,288	15,989,563

Interest rate risk – As a means of limiting its exposure to fair value losses arising from changes in interest rates, the Pool's investment policy limits the investment portfolio to maturities of not more than five years from the date of investment.

		Investment Maturities as of December 31, 2023		
Investment Type	Fair Value	<1 year	1–3 years	>3 years
Federal agencies	$ 5,752,692	$ -	$ 4,346,569	$ 1,406,123
Certificates of deposit	527,197	336,340	190,857	-
Corporate bonds	24,203,288	1,058,170	13,647,231	9,497,887
Total investments at fair value	$ 30,483,177	$ 1,394,510	$ 18,184,657	$ 10,904,010

		Investment Maturities as of December 31, 2022		
Investment Type	Fair Value	<1 year	1–3 years	>3 years
Federal agencies	$ 11,259,887	$ 5,061,611	$ 5,919,051	$ 279,225
Certificates of deposit	1,934,486	767,683	1,166,803	-
Corporate bonds	15,989,563	4,859,451	8,476,221	2,653,891
Total investments at fair value	$ 29,183,936	$ 10,688,745	$ 15,562,075	$ 2,933,116

Credit risk – It is the Pool's general investment policy to apply the prudent person standard; investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Securities eligible for investments are direct obligations of the U.S. Government (U.S. Treasury obligations), U.S. Government agency securities, Corporate Bonds and Money Market bank accounts. U.S. Treasury obligations are backed by the full faith and credit of the U.S. Government. Government agency securities are rated "AA+" by Standards and Poor's. Certificates of Deposit are covered by federal depository insurance.

continues page 32

Note 2 continues...
from page 31

Concentration of risk – The Pool's investment policy allows for purchase of unlimited quantities of U.S. Treasury obligations, U.S. Government agency securities, certificates of deposit or corporate bonds. At December 31, no individual investment is above 5% as a percentage of the total, but investments grouped in categories that are 5% or more as a percentage of the total investment portfolio were as follows:

	% of Portfolio 2023	% of Portfolio 2022
US Treasury	58.16%	43.97%
Federal Home Loan Banks	17.97%	22.30%
Corporate bonds	21.24%	10.82%
Federal National Mortgage Association	0.00%	9.25%
Certificates of deposit	1.73%	6.63%
Federal Farm Credit Banks	0.90%	5.71%

Fair Value Measurement
Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value.

Level 1 – Inputs are quoted prices in active markets for identical assets.

Level 2 – Inputs are significant other observable inputs.

Level 3 – Inputs are significant unobservable inputs.

Fair values of assets measured on a recurring basis at December 31, 2023, are as follows:

	Level 1	Level 2	Level 3	Total
Federal agencies	$ -	$ 5,752,693	$ -	$ 5,752,693
Certificates of deposit	-	527,197	-	527,197
Corporate bonds	-	24,203,287	-	24,203,287
	$ -	$ 30,483,177	$ -	$ 30,483,177

Fair values of assets measured on a recurring basis at December 31, 2022, are as follows:

	Level 1	Level 2	Level 3	Total
Federal agencies	$ -	$ 11,259,887	$ -	$ 11,259,887
Certificates of deposit	-	1,934,486	-	1,934,486
Corporate bonds	-	15,989,563	-	15,989,563
	$ -	$ 29,183,936	$ -	$ 29,183,936

Note 3 – Capital Assets

Capital assets are as follows for 2022 and 2023:

	Balance at December 31, 2022	Additions	Retirements	Balance at December 31, 2023
Land	$ 285,900	$ -	$ (285,900)	$ -
Building and improvements	1,483,738	-	(1,483,738)	-
Furniture and equipment	11,041	-	(11,041)	-
Less depreciation	(546,835)	-	546,835	-
Net capital assets	$ 1,233,844	$ -	$ (1,233,844)	$ -

	Balance at December 31, 2021	Additions	Retirements	Balance at December 31, 2022
Land	$ 285,900	$ -	$ -	$ 285,900
Building and improvements	1,483,738	-	-	1,483,738
Furniture and equipment	218,572	-	(207,531)	11,041
Less depreciation	(520,516)	(49,013)	22,694	(546,835)
Net capital assets	$ 1,467,694	$ (49,013)	$ (184,837)	$ 1,233,844

Depreciation expense was $3,170 and $49,013 for the years ended December 31, 2023 and 2022, respectively.

The Pool sold its land and buildings in 2023 resulting in a gain of $189,326.

Note 4 – Losses and Loss Adjustment Expenses

The Pool establishes a liability for both reported and unreported insured events at undiscounted amounts, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents changes in liabilities for the Pool during the years ended December 31:

	2023	2022
Losses and loss adjustment expense reserves, beginning of year	$ 10,719,020	$ 9,257,696
Incurred losses and loss adjustment expenses		
Provision for covered events of the current year	13,648,999	10,906,834
Increase (decrease) in provision for covered events of the prior years *	2,804,114	580,218
Total incurred losses and loss adjustment expenses	16,453,113	11,487,052
Payments		
Losses and loss adjustment expenses attributable to covered events of the current year	6,230,761	4,328,728
Losses and loss adjustment expenses attributable to covered events of the prior years *	8,590,884	5,697,000
Total payments	14,821,645	10,025,728
Loss and loss adjustment expense reserves, end of year	$ 12,350,488	$ 10,719,020
Detail of losses and loss adjustment expense reserves		
Current portion	$ 9,258,917	$ 8,190,432
Long-term portion	3,091,571	2,528,588

* Claim payments include $766,056 of state subrogation payments received during the year ended December 31, 2023 for 2018 claims.

Note 5 – Income Taxes

AHRP is taxed as a mutual property/casualty insurance company. Deferred income tax assets result principally from differences between unpaid losses and loss adjustments, unrealized gains and losses, and unearned contributions for financial reporting and tax purposes. Tax expense consists of the following for the years ended December 31:

	2023	2022
Deferred – Federal	$ -	$ -
Deferred – State	-	-
	-	-
Current – State	(102,775)	(72,002)
	$ (102,775)	$ (72,002)

continues page 35

Note 5 continues...
from page 34

The effective tax rate differs from the rate applied to the Pool's increase in net position before income taxes principally due to only AHRP being taxed as a mutual property/casualty insurance corporation.

The components of the deferred income tax asset are as follows as of December 31:

	2023	2022
Unearned contributions	$ 221,812	$ 203,842
Unrealized gains and losses	(10,287)	29,470
Loss reserve discount	48,877	43,926
Federal net operating loss	-	220,331
State net operating loss	13,238	18,928
Capital loss disallowed	1,307	6,987
TCJA - loss reserve discounting	(2,630)	(3,668)
Deferred income tax asset, net	272,317	519,816
Less: valuation allowance	-	(286,105)
Net deferred tax asset	$ 272,317	$ 233,711

As of December 31, 2023, AHRP has available federal and state net operating loss carryforwards of approximately $0 federal, $0 from California, and $287,000 from Oregon, respectively, which may provide future tax benefits. The carryforwards begin to expire in 2037.

Note 6 – Excess and Reinsurance

The Pool purchases excess insurance and reinsurance to reduce its financial exposure to loss. The Pool does not report any liabilities that are the responsibility of the reinsurance or the excess insurance carrier.

The All property and casualty lines for HARRP are self-insured at a level of $2,000,000 per occurrence. HARRP secured $45,000,000 of coverage in excess of the underlying $2,000,000 for property losses through an additional excess insurance policy. HARRP provides coverage for the members' stated total insured value up to the excess coverage limit.

AHRP provides only general liability, property and tenant discrimination coverage. The general liability coverage for AHRP is self-insured at a level of $1,000,000 per occurrence. $1,000,000 of reinsurance has been secured to provide higher limit coverage on both the property and general liability lines. Additionally, AHRP secured $45,000,000 in excess of the underlying $2,000,000 for property losses through an additional excess insurance policy.

During December 2017, HARRP and AHRP entered into a Regulation 114 Trust to provide collateral for PESLIC in exchange for fronting the credit risk related to AHRP's reinsurance. The collateral is included in restricted cash equivalents and restricted investments consisting of money market mutual funds totaling $7,049 and $0 and certificates of deposit, federal agency and corporate bonds totaling $4,913,380 and $4,645,879 at December 31, 2023 and 2022. AHRP is a grantor on the Regulation 114 Trust.

Note 7 – Retirement & Note 8 – Pensions *(Left out intentionally)*

See full audited financial statements for further information.

Note 9 – Subsequent Events

We have evaluated subsequent events through March 26, 2024, the date that these financial statements were available to be issued.

Reconciliation of Claims Liabilities by Type of Coverage (Unaudited)

Years Ended December 31, 2023 and 2022

The schedule below presents the changes in losses and loss adjustment expenses for 2023 and 2022 for the Pool's three types of coverage, property, general and public officials' liability, and automobile liability:

	Property		General and Public Officials' Liability		Automobile Liability		Totals	
	2023	2022	2023	2022	2023	2022	2023	2022
Losses and loss adjustment expense reserves, beginning of year	$ 6,524,189	$ 5,783,890	$ 3,913,114	$ 3,282,653	$ 281,717	$ 191,153	$ 10,719,020	$ 9,257,696
Incurred losses and loss adjustment expenses								
Provision for covered events of the current year	11,055,000	8,928,442	2,250,000	1,701,359	344,000	277,033	13,648,999	10,906,834
Increase (decrease) in provision for covered events of the prior years	1,933,188	873,986	718,846	(313,000)	152,080	19,232	2,804,114	580,218
Total incurred losses and loss adjustment expenses	12,988,188	9,802,428	2,968,846	1,388,359	496,080	296,265	16,453,113	11,487,052
Payments								
Losses and loss adjustment expenses attributable to covered events of the current year	5,583,649	4,110,017	413,230	44,837	233,882	173,874	6,230,761	4,328,728
Losses and loss adjustment expenses attributable to covered events of the prior years	6,400,246	4,952,112	2,009,750	713,061	180,888	31,827	8,590,884	5,697,000
Total payments	11,983,895	9,062,129	2,422,980	757,898	414,770	205,701	14,821,645	10,025,728
Losses and loss adjustment expense reserves, end of year	$ 7,528,482	$ 6,524,189	$ 4,458,980	$ 3,913,114	$ 363,027	$ 281,717	$ 12,350,488	$ 10,719,020

Ten-Year Loss Development Information (Unaudited)

December 31, 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total required contribution and investment revenue	$ 8,891,787	$ 10,534,442	$ 11,544,920	$ 11,572,307	$ 10,828,818	$ 12,876,995	$ 14,835,011	$ 16,594,775	$ 23,417,412	$ 30,030,545
Ceded	(2,163,149)	(2,020,868)	(2,150,085)	(2,117,250)	(2,149,530)	(2,462,005)	(3,313,030)	(8,405,108)	(10,736,043)	(12,111,366)
(1) Net earned required contribution and investment revenues	6,728,638	8,513,574	9,394,835	9,455,057	8,679,288	10,414,990	11,521,981	8,189,667	12,681,369	17,919,179
(2) Unallocated expenses	2,858,580	3,174,990	3,289,255	3,645,850	3,533,058	2,473,595	2,627,791	3,157,008	5,393,280	4,586,267
(3) Estimated incurred claims and expense, end of year	4,952,784	4,459,786	5,123,800	8,781,786	8,922,332	6,359,880	9,928,120	8,898,791	10,906,834	13,648,999
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	4,952,784	4,459,786	5,123,800	8,781,786	8,922,332	6,359,880	9,928,120	8,898,791	10,906,834	13,648,999
(4) Paid (cumulative), end of year *										
End of period	2,412,627	2,274,907	2,138,464	3,267,898	2,238,337	2,456,210	3,768,617	3,776,574	4,328,728	6,230,762
One year later	4,262,602	3,710,043	4,214,949	7,114,889	7,288,074	4,867,368	6,513,904	7,062,371	10,616,749	-
Two years later	4,773,135	3,831,664	4,558,733	8,086,266	8,590,297	5,322,471	8,433,835	8,914,618	-	-
Three years later	5,313,719	3,904,022	4,924,719	8,254,797	6,105,499	5,670,809	8,530,670	-	-	-
Four years later	5,438,366	4,148,449	4,965,685	8,503,749	6,217,620	5,887,936	-	-	-	-
Five years later	5,438,366	4,173,925	4,965,685	8,537,467	6,338,814	-	-	-	-	-
Six years later	5,438,366	4,173,925	4,965,685	8,553,119	-	-	-	-	-	-
Seven years later	5,438,366	4,173,925	4,965,685	-	-	-	-	-	-	-
Eight years later	5,438,366	4,173,925	-	-	-	-	-	-	-	-
Nine years later	5,438,366	-	-	-	-	-	-	-	-	-
(5) Reestimated ceded claims and expenses	17,566	-	-	-	-	-	-	-	-	-
(6) Reestimated incurred claims and expenses, end of year *										
End of period	4,952,784	4,459,786	5,123,800	8,781,786	8,922,332	6,359,880	9,928,122	8,898,791	10,906,834	1,364,899
One year later	5,046,706	4,288,752	4,827,010	8,794,661	8,674,428	6,152,880	9,209,438	9,775,788	13,767,872	-
Two years later	5,219,916	4,053,164	5,006,482	8,539,238	8,725,162	6,071,518	8,871,607	9,216,568	-	-
Three years later	5,400,161	3,955,957	5,050,796	8,726,160	6,216,713	6,061,705	9,234,314	-	-	-
Four years later	5,438,366	4,166,929	5,031,656	8,782,102	6,255,434	6,051,341	-	-	-	-
Five years later	5,438,366	4,175,472	4,965,685	8,688,670	6,338,850	-	-	-	-	-
Six years later	5,438,366	4,173,925	4,965,685	8,785,953	-	-	-	-	-	-
Seven years later	5,438,366	4,173,925	4,965,685	-	-	-	-	-	-	-
Eight years later	5,438,366	4,173,925	-	-	-	-	-	-	-	-
Nine years later	5,438,366	-	-	-	-	-	-	-	-	-
(7) Increase (decrease) in estimated incurred claims expense from end of policy year	$ 485,582	$ (285,861)	$ (158,115)	$ 4,167	$ (2,583,482)	$ (308,539)	$ (693,806)	$ 317,777	$ 2,861,038	$ (12,284,100)

* Claim payments include $54,808 of state subrogation payments received during the year ended December 31, 2023.

Ten-Year Loss Development Information (Unaudited)

December 31, 2023

CLAIMS DEVELOPMENT INFORMATION

The schedule illustrates the Pool's earned revenues (net of reinsurance) and investment income (loss) compared 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 line shows the total of each year's earned contribution revenues and investment revenues.

2. This line shows each year's other operating costs of the Pool including overhead and claims expense not allocable to individual claims. All unallocable administration expenses are charged to the current year.

3. This line shows the Pool's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the year.

4. This section shows the cumulative amounts paid as of the end of the year.

5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each insured year.

6. This annual reestimation results from new information received on known claims, as well as emergence of new claims not previously known.

7. This line compares the latest reestimated incurred claim amount to the amount originally established (line 3) and shows whether this later estimate of claims cost is greater or less than originally estimated.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

Other Supplementary Information

Combining Statement of Net Position

December 31, 2023

	Affordable Housing Risk Pool	ORWACA Agency	Combining Eliminating Entries	Affordable Housing Risk Pool and ORWACA Combined	Housing Authorities Risk Retention Pool	Combining Eliminating Entries	Combined
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
CURRENT ASSETS							
Cash and cash equivalents	$ 7,068,055	$ 1,234,398	$ -	$ 8,302,453	$ 9,602,399	$ -	$ 17,904,852
Interest receivable	77,107	-	-	77,107	274,657	-	351,764
Investments	203,967	-	-	203,967	1,133,784	-	1,337,751
Restricted investments	-	-	-	-	56,759	-	56,759
Accounts receivable	53,352	335,126	-	388,478	125,697	-	514,175
Prepaid expenses	112,667	3,278	-	115,945	57,073	-	173,018
Total current assets	7,515,148	1,572,802	-	9,087,950	11,250,369	-	20,338,319
NET PENSION ASSET	-	-	-	-	197,851	-	197,851
DEFERRED INCOME TAX ASSET	272,317	-	-	272,317	-	-	272,317
NON-CURRENT INVESTMENTS	6,374,273	-	-	6,374,273	17,850,680	-	24,224,953
RESTRICTED INVESTMENTS	-	-	-	-	4,863,714	-	4,863,714
INVESTMENT IN SUBSIDIARY	22,000	-	(22,000)	-	7,500,000	(7,500,000)	-
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	300,710	-	300,710
	$ 14,183,738	$ 1,572,802	$ (22,000)	$ 15,734,540	$ 41,963,324	$ (7,500,000)	$ 50,197,864

Combining Statement of Net Position

December 31, 2023

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION							
CURRENT LIABILITIES							
Accounts payable and accrued expenses	$ 89,557	$ 314,935	$ -	$ 404,492	$ 751,150	$ -	$ 1,155,642
Unearned contributions	4,724,670	-	-	4,724,670	7,903,784	-	12,628,454
Income tax payable	138,009	-	-	138,009	-	-	138,009
Current portion of losses and loss adjustment expense reserves	2,427,230	-	-	2,427,230	6,831,687	-	9,258,917
Total current liabilities	7,379,466	314,935	-	7,694,401	15,486,621	-	23,181,022
NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES	1,354,113	-	-	1,354,113	1,737,458	-	3,091,571
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	216,071	-	216,071
Total liabilities and deferred inflows of resources	8,733,579	314,935	-	9,048,514	17,440,150	-	26,488,664
NET POSITION	5,450,159	1,257,867	(22,000)	6,686,026	24,523,174	(7,500,000)	23,709,200
Total liabilities and deferred inflows of resources and net position	$ 14,183,738	$ 1,572,802	$ (22,000)	$ 15,734,540	$ 41,963,324	$ (7,500,000)	$ 50,197,864

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year Ended December 31, 2023

	Affordable Housing Risk Pool	ORWACA Agency	Combining Eliminating Entries	Affordable Housing Risk Pool and ORWACA Combined	Housing Authorities Risk Retention Pool	Combining Eliminating Entries	Combined
OPERATING REVENUES							
Contributions earned	$ 13,300,520	$ -	$ -	$ 13,300,520	$ 15,123,181	$ -	$ 28,423,701
Commissions	-	380,973	-	380,973	-	-	380,973
Other income	-	-	-	-	701,460	(701,460)	-
Total operating revenues	13,300,520	380,973	-	13,681,493	15,824,641	(701,460)	28,804,674
OPERATING EXPENSES							
Changes in losses and loss adjustment expenses incurred	4,985,142	-	-	4,985,142	11,467,971	-	16,453,113
Excess insurance expense	6,389,803	-	-	6,389,803	5,879,056	-	12,268,859
Professional fees	36,968	205	-	37,173	319,178	-	356,351
Salaries and benefits	-	-	-	-	1,627,310	-	1,627,310
General and administrative expense	624,892	160,412	-	785,304	411,758	(701,460)	495,602
Depreciation expense	-	-	-	-	3,170	-	3,170
Total operating expenses	12,036,805	160,617	-	12,197,422	19,708,443	(701,460)	31,204,405
OPERATING INCOME (LOSS)	1,263,715	220,356	-	1,484,071	(3,883,802)	-	(2,399,731)
NON-OPERATING LOSS							
Gain on disposal	-	-	-	-	189,326	-	189,326
Investment income	352,480	16,120	-	368,600	1,238,244	-	1,606,844
Total non-operating income	352,480	16,120	-	368,600	1,427,570	-	1,796,170
(DECREASE) INCREASE IN NET POSITION BEFORE INCOME TAX EXPENSE	1,616,195	236,476	-	1,852,671	(2,456,232)	-	(603,561)
INCOME TAX EXPENSE	(187,053)	(1,600)	-	(188,653)	-	-	(188,653)
INCREASE (DECREASE) IN NET POSITION	1,429,142	234,876	-	1,664,018	(2,456,232)	-	(792,214)
NET POSITION, beginning of year	4,021,017	1,022,991	(22,000)	5,022,008	26,979,406	(7,500,000)	24,501,414
NET POSITION, end of year	$ 5,450,159	$ 1,257,867	$ (22,000)	$ 6,686,026	$ 24,523,174	$ (7,500,000)	$ 23,709,200

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Housing Authorities Risk Retention Pool and its blended component units

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Authorities Risk Retention Pool and its blended component units (the "Pool") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Housing Authorities Risk Retention Pool and its blended component unit's basic financial statements, and have issued our report thereon dated March 26, 2024.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Pool's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
March 26, 2024

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RISK MANAGEMENT

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