

COMMONWEALTH INSURANCE COMPANY, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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Independent Auditors' Report

To the Stockholder
Commonwealth Insurance Company, Inc.
Frankfort, Kentucky

We have audited the accompanying financial statements of Commonwealth Insurance Company, Inc. (a Kentucky corporation), which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of income and comprehensive income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

Commonwealth Insurance Company, Inc.'s financial statements do not include disclosures required by accounting standard No. 2015-09, *Financial Services – Insurance: Disclosures about Short-Duration Contracts*, issued by the Financial Accounting Standards Board. In our opinion, these disclosures are required to conform with accounting principles generally accepted in the United States of America; however, management has received permission from the Kentucky Department of Insurance to exclude such disclosures.

Qualified Opinion

In our opinion, except for the effect of the matter discussed in Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Commonwealth Insurance Company, Inc. as of June 30, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Deming, Malone, Lussary & Petroff".

Louisville, Kentucky
September 24, 2020

COMMONWEALTH INSURANCE COMPANY, INC.

BALANCE SHEETS

June 30, 2020 and 2019

Assets	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,054,959	\$ 246,669
Investments	6,695,075	6,700,406
Prepaid income taxes	11,791	17,700
Other assets	<u>57,979</u>	<u>61,484</u>
Total assets	<u><u>\$ 7,819,804</u></u>	<u><u>\$ 7,026,259</u></u>
Liabilities and Stockholder's Equity		
Estimated liability for future claims, net of estimated recoveries:		
Reported claims	\$ 199,000	\$ 147,000
Claims incurred but not reported	<u>311,000</u>	<u>333,000</u>
	<u>510,000</u>	<u>480,000</u>
Accounts payable	12,629	4,457
Deferred income tax	<u>85,000</u>	<u>69,000</u>
	<u>97,629</u>	<u>73,457</u>
Total liabilities	<u>607,629</u>	<u>553,457</u>
Stockholder's Equity		
Common stock, no par value; authorized 1,000 shares; issued and outstanding 600 shares	1,500,000	1,500,000
Retained earnings	5,404,567	4,713,880
Accumulated other comprehensive income	<u>307,608</u>	<u>258,922</u>
	<u>7,212,175</u>	<u>6,472,802</u>
Total liabilities and stockholder's equity	<u><u>\$ 7,819,804</u></u>	<u><u>\$ 7,026,259</u></u>

See Notes to Financial Statements.

COMMONWEALTH INSURANCE COMPANY, INC.

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Premium revenue	\$ 950,000	\$ 950,000
Investment income	193,341	208,714
Realized gains on investments	<u>62,886</u>	<u>102,623</u>
Total revenues	<u>1,206,227</u>	<u>1,261,337</u>
Expenses		
Claims expense and change in estimated liability for future claims	30,000	(33,891)
Office and administrative fees	153,867	138,294
Professional fees	35,964	39,938
Management fee	246,500	248,500
Provision for income taxes	<u>49,209</u>	<u>59,325</u>
Total expenses	<u>515,540</u>	<u>452,166</u>
Net income	<u>690,687</u>	<u>809,171</u>
Other Comprehensive Income		
Unrealized gain on investments, net of tax	111,572	277,103
Reclassification adjustment for realized gains	<u>(62,886)</u>	<u>(102,623)</u>
	<u>48,686</u>	<u>174,480</u>
Total comprehensive income	<u><u>\$ 739,373</u></u>	<u><u>\$ 983,651</u></u>

See Notes to Financial Statements.

COMMONWEALTH INSURANCE COMPANY, INC.

STATEMENTS OF STOCKHOLDER'S EQUITY

Years Ended June 30, 2020 and 2019

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Balances, June 30, 2018	\$ 1,500,000	\$ 5,904,709	\$ 84,442	\$ 7,489,151
Net income		809,171		809,171
Dividends		(2,000,000)		(2,000,000)
Other comprehensive income, net	<u> </u>	<u> </u>	<u>174,480</u>	<u>174,480</u>
Balances, June 30, 2019	1,500,000	4,713,880	258,922	6,472,802
Net income		690,687		690,687
Other comprehensive income, net	<u> </u>	<u> </u>	<u>48,686</u>	<u>48,686</u>
Balances, June 30, 2020	<u>\$ 1,500,000</u>	<u>\$ 5,404,567</u>	<u>\$ 307,608</u>	<u>\$ 7,212,175</u>

See Notes to Financial Statements.

COMMONWEALTH INSURANCE COMPANY, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash received from premiums	\$ 950,000	\$ 950,000
Cash paid for claims and operating expenses	(430,644)	(460,171)
Investment income received	199,331	211,678
Income taxes paid	<u>(43,300)</u>	<u>(86,897)</u>
Net cash provided by operating activities	<u>675,387</u>	<u>614,610</u>
Cash Flows from Investing Activities		
Purchase of investments	(1,520,366)	(2,593,991)
Proceeds from sale of investments	<u>1,653,269</u>	<u>3,844,256</u>
Net cash provided by investing activities	<u>132,903</u>	<u>1,250,265</u>
Cash Flows from Financing Activities		
Payment of dividends	<u> </u>	<u>(2,000,000)</u>
Net cash used in financing activities	<u> </u>	<u>(2,000,000)</u>
Net increase (decrease) in cash and cash equivalents	808,290	(135,125)
Cash and cash equivalents at beginning of year	<u>246,669</u>	<u>381,794</u>
Cash and cash equivalents at end of year	<u>\$ 1,054,959</u>	<u>\$ 246,669</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Net income	<u>\$ 690,687</u>	<u>\$ 809,171</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized gains on investments	(62,886)	(102,623)
Changes in assets and liabilities:		
Decrease (increase) in:		
Prepaid income taxes	5,909	(17,700)
Other assets	3,505	(13,421)
Increase (decrease) in:		
Estimated liability for future claims	30,000	(50,000)
Accounts payable	8,172	(945)
Income taxes payable	<u> </u>	<u>(9,872)</u>
Total adjustments	<u>(15,300)</u>	<u>(194,561)</u>
Net cash provided by operating activities	<u>\$ 675,387</u>	<u>\$ 614,610</u>

See Notes to Financial Statements.

COMMONWEALTH INSURANCE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business:

Commonwealth Insurance Company, Inc., (Company) a wholly owned subsidiary of Kentucky Association of Counties Leasing Trust (COLT), provides employee dishonesty fidelity bond and business income/extra expense coverage to the members of the Kentucky Association of Counties - All Lines Fund (KALF), a related party (see Note 5).

Summary of significant accounting policies:

This summary of significant accounting policies of Commonwealth Insurance Company, Inc. is presented to assist in understanding the Company's financial statements. The financial statements are representations of the Company's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Estimates:

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

Cash and cash equivalents:

For purposes of the statements of cash flows, the Company considers only cash and investments with an original maturity of three months or less to be cash and cash equivalents.

Investments:

The Company records all investments at fair value. See Note 3 for discussion of fair value measurements.

NOTES TO FINANCIAL STATEMENTS

The Company has significant investments in securities held by Central Bank & Trust Company. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Revenue and recognition:

Premium revenue is recognized over the period to which the insurance coverage relates.

Legal, regulatory and geographic risk:

Legal and regulatory risk is the risk that changes in the legal or regulatory environment in which an insurer operates will occur and create additional losses or expenses not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those currently recorded in the financial statements. The Company is exposed to this risk by writing all of its business in Kentucky, thus increasing its exposure to a single jurisdiction. This risk is reduced by underwriting and loss adjusting practices that identify and minimize the adverse impact of this risk.

Geographic risk is the risk that catastrophic losses will occur in one concentrated area where the Company does business. The Company mitigates this risk by adhering to specified underwriting practices.

Subsequent events:

Subsequent events have been evaluated through September 24, 2020, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

Note 2. Investments

Investments consists of marketable securities recorded at fair value and classified as “available-for-sale”. The cost and fair value at June 30, 2020 and 2019 were as follows:

2020				
	<u>Cost</u>	Gross Unrealized <u>Losses</u>	Gross Unrealized <u>Gains</u>	Fair <u>Value</u>
U.S. Governmental securities	\$2,973,867		\$201,798	\$3,175,665
Corporate bonds	2,195,161	\$ (635)	92,669	2,287,195
Common stocks	<u>1,123,805</u>	<u>(74,830)</u>	<u>183,240</u>	<u>1,232,215</u>
Total investments	<u>\$6,292,833</u>	<u>\$ (75,465)</u>	<u>\$474,707</u>	<u>\$6,695,075</u>

2019				
	<u>Cost</u>	Gross Unrealized <u>Losses</u>	Gross Unrealized <u>Gains</u>	Fair <u>Value</u>
U.S. Governmental securities	\$3,026,232	\$ (4,759)	\$ 68,105	\$3,089,578
Corporate bonds	2,262,220	(8,095)	36,414	2,290,539
Common stocks	<u>1,083,252</u>	<u>(15,498)</u>	<u>252,535</u>	<u>1,320,289</u>
Total investments	<u>\$6,371,704</u>	<u>\$ (28,352)</u>	<u>\$357,054</u>	<u>\$6,700,406</u>

The aggregate annual maturities of the fair value of investments at June 30, 2020, based upon stated maturity dates are as follows:

Due within one year	\$ 176,266
Due after one year through five years	2,223,178
Due after five years through ten years	1,235,823
Due after ten years	1,827,593
Common stocks	<u>1,232,215</u>
	<u>\$6,695,075</u>

NOTES TO FINANCIAL STATEMENTS

Realized gains or losses are computed based on specific identification of the cost of the securities sold. Proceeds from sales of securities were \$1,653,269 and \$3,844,256 for the years ended June 30, 2020 and 2019, respectively.

Investments with declines in fair value are evaluated for other-than-temporary impairment. The evaluation includes (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Other-than-temporary impairment of investments is reported in revenues. For the years ended June 30, 2020 and 2019, the Company did not record any other-than-temporary impairments.

The following table summarizes securities with unrealized losses at June 30, 2020 and 2019, aggregated by major security type and length of time in a continuous unrealized loss position:

	2020					
	<u>Less than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
	<u>Unrealized</u> <u>Loss</u>	<u>Fair</u> <u>Value</u>	<u>Unrealized</u> <u>Loss</u>	<u>Fair</u> <u>Value</u>	<u>Unrealized</u> <u>Loss</u>	<u>Fair</u> <u>Value</u>
Corporate bonds	\$ (545)	\$124,455	\$ (90)	\$ 50,142	\$ (635)	\$174,597
Common stocks	<u>(67,074)</u>	<u>410,929</u>	<u>(7,756)</u>	<u>56,101</u>	<u>(74,830)</u>	<u>467,030</u>
Total investments	<u>\$(67,619)</u>	<u>\$535,384</u>	<u>\$(7,846)</u>	<u>\$106,243</u>	<u>\$(75,465)</u>	<u>\$641,627</u>

	2019					
	<u>Less than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
	<u>Unrealized</u> <u>Loss</u>	<u>Fair</u> <u>Value</u>	<u>Unrealized</u> <u>Loss</u>	<u>Fair</u> <u>Value</u>	<u>Unrealized</u> <u>Loss</u>	<u>Fair</u> <u>Value</u>
U.S. Governmental securities			\$ (4,759)	\$ 483,148	\$ (4,759)	\$ 483,148
Corporate bonds	\$ (7)	\$ 24,915	(8,088)	578,581	(8,095)	603,496
Common stocks	<u>(8,654)</u>	<u>124,219</u>	<u>(6,844)</u>	<u>58,208</u>	<u>(15,498)</u>	<u>182,427</u>
Total investments	<u>\$(8,661)</u>	<u>\$149,134</u>	<u>\$(19,691)</u>	<u>\$1,119,937</u>	<u>\$(28,352)</u>	<u>\$1,269,071</u>

NOTES TO FINANCIAL STATEMENTS

Note 3. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active or inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

All assets have been valued using a market approach. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2020 and 2019.

Common stocks – valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds and U.S. Governmental securities – valued using pricing models maximizing the use of observable inputs for similar securities.

NOTES TO FINANCIAL STATEMENTS

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level, within the fair value hierarchy, the Company's assets at fair value as of June 30, 2020 and 2019:

	2020		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
U.S. Governmental securities		\$3,175,665	\$3,175,665
Corporate bonds		2,287,195	2,287,195
Common stocks:			
Technology	\$ 268,824		268,824
Financial	234,239		234,239
Basic materials	89,561		89,561
Services	115,231		115,231
Industrial goods	120,818		120,818
Healthcare	198,465		198,465
Consumer goods	<u>205,077</u>		<u>205,077</u>
Total assets at fair value	<u>\$1,232,215</u>	<u>\$5,462,860</u>	<u>\$6,695,075</u>
	2019		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
U.S. Governmental securities		\$3,089,578	\$3,089,578
Corporate bonds		2,290,539	2,290,539
Common stocks:			
Technology	\$ 212,447		212,447
Financial	267,924		267,924
Basic materials	130,116		130,116
Services	150,706		150,706
Industrial goods	152,609		152,609
Healthcare	88,919		88,919
Consumer goods	<u>317,568</u>		<u>317,568</u>
Total assets at fair value	<u>\$1,320,289</u>	<u>\$5,380,117</u>	<u>\$6,700,406</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Estimated Liability for Future Claims

Under Kentucky Law, the Company is required to pay all valid claims against its policyholder. The Company covers losses for employee dishonesty coverage up to a maximum of \$140,000 per event after deductibles. The Company covers losses for business income coverage up to a maximum of \$125,000 per event after deductibles. The estimated liability for future claims, net of estimated recoveries for deductibles and subrogation was determined by Company management as a result of consultation with the Company's actuary, By The Numbers Actuarial Consulting, Inc., for the years ended June 30, 2020 and 2019.

The actuary provides a range of the estimated liability for unpaid claims. Management selects an amount in that range which they believe represents a reasonable estimate of the ultimate liability. This estimate is based upon various factors such as loss control efforts, claim trends and historical claims information.

To the extent that claims information varies from management's estimates, the statement of income reflects adjustments in the year they occur.

For the years ended June 30, 2020 and 2019, the actuary provided a possible range of undiscounted and discounted estimated liabilities. The estimated liability selected by management was undiscounted in 2020 and discounted at 2.0% in 2019 based upon an estimate of the Company's yield on its investments and expected claims payment patterns as developed by the actuary. The loss payment pattern used could vary significantly from actual which would have a direct effect on the liability for estimated claims. The range of liabilities and the amounts selected by management are as follows:

	<u>Low</u>	<u>High</u>	<u>Selected</u>
June 30, 2020	\$355,000	\$575,000	\$510,000
June 30, 2019	\$350,000	\$540,000	\$480,000

NOTES TO FINANCIAL STATEMENTS

The Company establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities, net of recoveries, for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$480,000	\$530,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year and changes in provision for insured events of prior years net of recoveries	30,000	(33,891)
Payments:		
Claims and claims adjustment expenses paid attributable to insured events of current and prior years net of recoveries collected	_____	_(16,109)
Unpaid claims and claim adjustment expenses at end of year	<u>\$510,000</u>	<u>\$480,000</u>

Note 5. Related Party Transactions

For the years ended June 30, 2020 and 2019, 100% of the Company's premium revenue was derived from Kentucky Association of Counties - All Lines Fund, which provides coverage to its members.

The Company is under a Program Administration Agreement with Kentucky Association of Counties (KACo) in which the Company reimburses KACo for certain administrative expenses. Total fees for the years ended June 30, 2020 and 2019 under this agreement were \$92,645 and \$85,946, respectively. As of June 30, 2020 and 2019, the Company had prepaid administrative fees of \$34,207 and \$31,256, respectively.

The Company is under a Management Fee Agreement with KACo in which the Company pays a fee to KACo for certain management services. The management fees for the years ended June 30, 2020 and 2019 include a base fee of \$218,000 and \$220,000, respectively, plus 3% of earned premiums collected. Total management fees for the years ended June 30, 2020 and 2019 were \$246,500 and \$248,500, respectively.

NOTES TO FINANCIAL STATEMENTS

The Company has an agreement with KACo Insurance Agency, Inc. (KIA), whereby KIA acts as the exclusive agent for the Company. The Company paid commissions to KIA of \$23,750 for each of the years ended June 30, 2020 and 2019.

The Company also has a licensing agreement with KACo that requires the Company to pay a royalty to KACo in return for the use of KACo's name and logo. The royalty for each of the years ended June 30, 2020 and 2019 was \$1,000.

Note 6. Income Taxes

For federal income tax purposes, the Company is classified as an insurance company, other than a life insurance company, as described under Internal Revenue Code Section 831(b). The Company also qualifies under Code Section 834 for an alternative income tax calculation available to certain electing small insurance companies which have net premium income not exceeding \$2,200,000. Under this election, the Company is taxed only on its net investment income. The Company is exempt from Kentucky corporate income taxes but is subject to a tax on its earned premiums collected as a captive insurer. Total federal and Kentucky tax expense for the years ended June 30, 2020 and 2019 were \$49,209 and \$59,325, respectively.

As of June 30, 2020 and 2019, the Company did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

Deferred tax assets and liabilities are recognized for future tax consequences resulting from differences between the financial statement amounts and income tax bases. Deferred tax assets and liabilities are computed using enacted tax rates applicable to periods in which the temporary differences are expected to be recovered or settled. Deferred tax assets are reduced, if applicable, by a valuation allowance when it is more likely than not that some portion of the deferred tax assets will not be realized.

Deferred tax liabilities as a result of the temporary differences due to unrealized gains on investments and a change in the corporate tax rate were \$85,000 and \$69,000 at June 30, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 7. Concentration of Credit Risk

The Company maintains its cash accounts at a bank in Kentucky. Accounts at the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2020, the uninsured cash balances totaled approximately \$257,000.

Note 8. Subsequent Events

The Company has evaluated subsequent events and transactions that occurred after June 30, 2020 up to the date that the financial statements were issued. Management is currently evaluating the ongoing impact of the COVID-19 pandemic on the Company and has concluded that while it is reasonably possible that the pandemic could have a negative effect on the Company's financial position and/or results of operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As disclosed in Note 5, 100% of the Company's premium revenue for the years ended June 30, 2020 and 2019, was derived from the Kentucky Association of Counties – All Lines Fund (KALF). Effective July 1, 2020 KALF began providing its employee dishonesty coverage and business income/extra expense coverage directly to its members without purchasing these insurance coverages from the Company. Accordingly, the Company's premium revenue for the year ending June 30, 2021 is expected to decrease by the \$950,000 annual premiums historically received from KALF. Management is evaluating the impact this reduction in premium revenue from KALF will have on the Company's future financial position and results of operations. Management is also exploring other potential lines of coverage the Company could offer and other potential revenue sources.