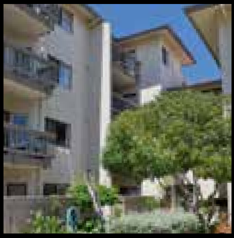
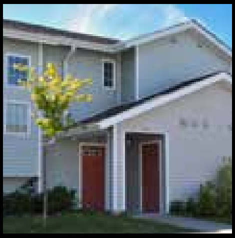
AFFORDABLE
AHRP
HOUSING RISK POOL

CELEBRATING 5th ANNIVERSARY

SINCE 2010





2015 ANNUAL REPORT

AFFORDABLE
AHRP
HOUSING RISK POOL

by the Numbers

Number of Policies Issued:
275

Number of Units:
24,716

Retention Rate:
98%

Number of Certificates of Insurance Issued:
4,629

Number of Claims Opened:
70

Total Insured Value:
$2,816,426,314

AFFORDABLE
AHRP
HOUSING RISK POOL






CELEBRATING
5th
SINCE 2010
ANNIVERSARY

[MESSAGE]

from the President & Executive Director

The Affordable Housing Risk Pool (AHRP) started as a vision in 2006, a pooling consortium designed specifically for non-governmental affordable housing risks. AHRP set out to offer an additional choice to affordable housing providers, based upon the success, service and experience of the Housing Authorities Risk Retention Pool (HARRP).

Five years later, AHRP issued its first policy. Another five years later, and here we are to proudly highlight AHRP's fifth year of operation! The pool has experienced explosive growth since its inaugural launch in 2011. The first year we issued 141 policies and by the end of 2015, a total of 275 policies have been written. Over the past five years, numerous changes have been applied to the pool to reflect the needs, requirements and exposures of our clients. This is testament to the dedication the Board of Directors and the administrator have towards ensuring that AHRP stays up-to-date on factors affecting our policy holders and regulators.

Consistent with the insurance industry at large and HARRP, losses from 2012 through 2015 have been the major issue facing AHRP. The property program has experienced losses that have outpaced premiums by approximately 125%. AHRP strives to price the coverage at a breakeven point. AHRP does not report to investors, so it has never been the intent of AHRP to realize profits. AHRP's goal is to cover the expenses associated with the administration of the program and to assure regulators that a certain level of surplus is available for those loss years that are higher than expected. Unfortunately, the only method of countering higher claims and maintaining the balance of the program is to raise rates.

Heading into 2016, AHRP is confident that the losses have begun to stabilize. There is evidence of stabilization during the fourth quarter of 2015. There will be additional resources dedicated to underwriting both new and renewing policies to ensure that loss ratios reflect pricing. AHRP will also increase its presence through trainings, specifically in contractual risk transfer, and pay continued attention to losses that are attributable to contract property managers, as this is an area of concern when analyzing loss data.

On behalf of the Board of Directors, we thank you very much for your support and trust in AHRP. Despite the turbulence caused from excessive losses, AHRP is still a well-funded and very secure insurance product. We will continue to develop, grow and adapt to your environment, all while adhering to our basic goal of service, stability, savings and coverage honed to your specific exposures.

Scott Foster
AHRP President

William Gregory
Executive Director

[DEVELOPMENT]

Legislation sponsored by the Housing Authorities Risk Retention Pool (HARRP) was enacted in Washington, Oregon, Nevada and California to provide statutory authorization for the formation and operation of a multi-state insurance pool that offers coverage to affordable housing providers.

HARRP successfully organized the Affordable Housing Risk Pool LLC (AHRP) as a wholly owned subsidiary of HARRP providing coverage to eligible low income tax credit limited partnerships, limited liability companies and eligible nonprofit corporations that develop, manage or operate affordable housing. AHRP offers broad coverage, enhanced service and effective risk management to these affordable housing providers.

Beginning in 2007, the HARRP Board of Directors engaged in extensive evaluation with respect to the feasibility of organizing AHRP to provide coverage to affordable housing entities. This evaluation encompassed a number of considerations, including ownership, governance, capitalization, management, taxation, legal requirements, rates, coverage, underwriting and reinsurance. It entailed the advice of actuaries, reinsurance intermediaries, attorneys, accountants and other professional advisers. Based on this evaluation, the HARRP Board concluded that organization and operation of a new insurance pool to provide coverage to eligible affordable housing entities was feasible and would provide the high level of financial security, expertise and service that HARRP's members expect.

AHRP was organized as a limited liability company under the Oregon Limited Liability Company Act and is a wholly-owned subsidiary of HARRP. Based on an actuarial feasibility study, HARRP made a $5,000,000 capital contribution to AHRP in February of 2011. AHRP utilizes the same investment management firm as HARRP and adheres to much of the same conservative investment parameters. AHRP's capital is invested predominantly in government bonds with a five year average maturity, some corporate bonds and certificates of deposit.

AHRP is a manager-managed limited liability company. The AHRP Board of Directors has full and exclusive responsibility over the management of the business and affairs of AHRP. AHRP's governing documents provide that the AHRP Board be comprised of nine directors, seven of which are Member Affiliated Directors and two of which are Policyholder Affiliated Directors. The Member Affiliated Directors are current HARRP directors selected by HARRP to serve on the AHRP Board. The Member Affiliated Directors appoint the Policyholder Affiliated Directors, who may be employees, officers, partners or managers of an AHRP policyholder, but have no other relationship with HARRP.

[BENEFITS & REQUIREMENTS]

AFFORDABLE
AHRP
HOUSING RISK POOL

AHRP provides insurance coverage to nonprofit corporations and tax credit limited partnerships and limited liability companies that qualify for coverage under applicable state laws. Legislation was enacted in Washington (RCW Chapter 48.64), Oregon (ORS 731.036 (10), California (California Government Code 6500) and Nevada (NRS 315.140) to permit the organization and operation of a multi-state affordable housing entity risk pool, very similar in scope to governmental risk pools. The four states' enabling legislation is similar in many respects, but each has specific and distinct variances to which AHRP closely adheres.

Nonprofit corporations and tax credit limited partnerships/LLCs that purchase policies from AHRP become policyholders but not members of AHRP, and do not have economic or voting rights in AHRP. Two Policyholder Affiliated Directors who took office in 2013 represent the interests of policyholders on the AHRP Board.

The types of affordable housing entities that may participate in AHRP are limited to (i) housing authorities, their agencies and instrumentalities, (ii) nonprofit corporations that provide affordable housing and (iii) partnerships, whether general or limited, or limited liability companies that provide affordable housing and are affiliated with a housing authority or nonprofit corporation that provides affordable housing. The state statutes define "affordable housing" to mean a housing project in which some of the dwelling units may be purchased or rented, with or without government assistance, on a basis that is affordable to individuals of low income. Because nonprofit corporations and tax credit limited partnerships/LLCs have projects with varying percentages of low income units, this definition of "affordable housing" is sufficiently flexible to include most nonprofit corporations and tax credit limited partnerships/LLCs.

The benefits of AHRP are numerous. Because AHRP is exempt from state insurance regulations, it has reduced overhead which is passed down in lower rates to policy purchasers. AHRP's growth has surpassed expectations and continues to solidify AHRP as a viable alternative risk funding program. Other benefits include the knowledge and service of the administrative team of professionals. With over 90 years of combined experience, policy purchasers can be assured that coverage is specific to the industry and exposure to loss is identified, communicated and covered.

[OPERATIONS]

Overview of the Affordable Housing Risk Pool

The Affordable Housing Risk Pool (AHRP) is a manager-managed limited liability company offering coverage in Washington, Nevada, Oregon and California, to non-governmental affordable housing providers. Using the public housing pool the Housing Authorities Risk Retention Pool (HARRP) and its 27 years of service as a model, these providers have pooled their collective resources in order to provide affordable insurance coverage. Management authority resides in AHRP's Board of Directors.

AHRP was formed in 2011 as a response to the costs of acquiring commercial insurance. AHRP was formed to pool risk associated with operations conducive to affordable housing. Our programs include property coverages that restore our members' residential and administrative properties, coverage for general liability and tenant discrimination.

AHRP contracts with the Housing Authorities Risk Retention Pool (HARRP) for administrative services, including claims administration, risk management, financial services, underwriting, regulatory oversight, and general administrative functions. Claims adjustors, defense attorneys, actuarial analysis, financial audits and legal counsel are outsourced to firms specializing in pooling, insurance and habitational risks.

AHRP owns and operates a subsidiary insurance agency, ORWACA Agency Insurance Services, LLC, which is dedicated to the procurement of commercial insurance products for AHRP policy purchasers and entities requiring builders' risk coverage. With four insurance agents and a reinsurance intermediary's license, ORWACA focuses on acquiring specialty coverages not provided by AHRP, such as flood, directors' and officers' liability, earthquake and excess limits coverage.

AHRP is a fronted program, meaning it has a contractual relationship with Princeton Excess Surplus Lines Insurance Company (PESLIC) to provide the first dollar coverage and the AM Best rating. AHRP reinsures PESLIC 100% of the first $1,000,000 of coverage. AHRP then purchases reinsurance for claims that may exceed $1,000,000 from Munich Reinsurance for casualty and property claims and an additional $45,000,000 for property. Claims administration services are provided in-house, as is cutting edge risk management and financial services.

RESERVES

To maintain its status under state regulations, AHRP must maintain assets sufficient to pay its anticipated losses and administrative costs. AHRP uses actuarial statistical models to forecast losses for any given year. Also included in AHRP's annual analysis of claims is the incurred but

continues page 8

from page 7

not reported losses (IBNR), which provides an additional level of safety when determining funding needs for the pool.

In most cases, property claims will settle out within a year of the date of loss. Although AHRP attempts to resolve liability claims in an efficient and timely manner, some liability claims may take several years to settle. AHRP establishes a reserve for each and every claim that is expected to result in any expenses to the pool. The reserves are frequently reviewed to assure that they reflect the most recent activity on the claim.

INVESTMENTS

AHRP utilizes the services of Morgan Stanley for investment management and custodial agent services and manages over $5,000,000 of investments. These investments are predominantly in Government Agency bonds, with some corporate bonds and certificates of deposit. AHRP strictly adheres to all applicable governmental regulations, making the portfolio very conservative. Investment revenues are used to offset rates and help cushion swings in claims and costs of reinsurance.

CELEBRATING [COVERAGE]

AHRP provides general liability, property, tenant discrimination, terrorism, non-owned/hired auto and fidelity coverage. The general liability coverage provides for a $2,000,000 limit with no annual aggregate. The property coverage provides a $47,000,000 limit and the rates include $100,000 of fidelity coverage. Tenant discrimination coverage provides a $150,000 limit with no annual aggregate. Higher limits of coverage and additional lines of coverage are readily available from any licensed agent of ORWACA Agency Insurance Services, LLC, which is a subsidiary of AHRP.

REINSURANCE

Reinsurance is a risk transfer relationship between commercial insurance companies and an insured entity, whether it be self-insured, such as AHRP, or an entity that has underlying com-

continues page 9

from page 8

mercial coverage. Reinsurance differs from excess insurance in that reinsurance treaties follow the underlying coverage of the entity purchasing reinsurance. This provides a seamless continuation of coverage through the layers to ensure there are no gaps in coverage between the underlying entity and the reinsurer. The benefit of this relationship is that it permits the commercial insurance companies, or self-insured entities, to retain the risk associated with more predictable, frequent and smaller claims while transferring the risk of less predictable, infrequent or sometimes catastrophic claims to a reinsurance company for a previously agreed-upon premium.

Providing pooled coverage for Low Income Housing Tax Credits (LIHTC) and affordable housing nonprofits presented several obstacles, the most significant of which was persuading tax credit lenders and syndicators of the financial security of the AHRP program. This challenge was met by providing an AM Best rating acceptable to funders by “fronting” the AHRP program through a highly rated reinsurer. This “fronting” arrangement simply places AHRP in the reinsuring position to the reinsurance company that possesses the necessary AM Best rating.

EXCESS INSURANCE

The property program purchases excess property coverage from an AM Best A+ IV rated carrier. Purchasing $45,000,000 excess of the program’s underlying limits of $2,000,000 ensures that catastrophic losses do not impact the program.

The liability programs’ base coverage is $2,000,000 per occurrence with no annual aggregate. AHRP has the ability to acquire excess lines of coverage to $10,000,000 for those policyholders needing to acquire higher limits of coverage.

The AHRP program is structured as follows:

2011 - 2015 PROGRAM STRUCTURE

	Retained	Reinsured	Excess	Combined Limits
Property	$1,000,000	$1,000,000	$45,000,000	$47,000,000
Liability	$1,000,000	$1,000,000		$ 2,000,000
Tenant Discrimination	$ 150,000	$ N/A		$ 150,000

[CLAIMS MANAGEMENT]

UNDERWRITING

Affordable housing risks seeking issuance of coverage through AHRP are evaluated on many fronts. Ultimately, the evaluation of a new application emphasizes potential risk and subsequent risk control measures. The underwriting process focuses heavily on past loss experience, condition of the property, number of floors, date of construction, media reports, management attitude toward risk management and, the reputation of the entity seeking coverage. Premiums are based on various factors such as total insured values, number of units and in which state the property is located.

AHRP utilizes a very stringent matrix of criteria that must be met before acceptance. This process emulates the process conducted by the parent entity, HARRP, to assure that the pool remains fiscally solvent by only accepting quality risks.

CLAIMS MANAGEMENT

AHRP utilizes the services of the claims department of HARRP under a management agreement between the two entities. HARRP contracts with independent adjusters and defense counsel in each state, which allows for utilization of industry specific professionals to assist in the successful resolution of a loss.

Evaluation and resolution of claims is an important function of AHRP management. The philosophy of AHRP's management and Board of Directors in dealing with claims is to attempt to obtain the most reasonable settlement and compensate the injured parties when compensation is warranted. Claims which lack validity are strenuously defended. AHRP makes every attempt to coordinate all parties with the handling of claims.

RISK MANAGEMENT

AHRP's risk management services are specifically designed to address the unique exposures associated with affordable housing entities. Designed to minimize both the risk and the financial consequences associated with losses, AHRP's proactive services are based on the proven programs developed and utilized by HARRP. AHRP constantly evaluates and updates its services to reflect the latest advances in training, compliance with state and/or federal regulations and making available the latest methods to address specific loss trends.

Please refer to the AHRP web page,
www.affordablehousinginsurance.org for services.

[AGENCY]

ORWACA
AGENCY
INSURANCE SERVICES, LLC

AHRP's subsidiary, the ORWACA Agency Insurance Services, is now entering its nineteenth year of service to the membership and policyholders. Converted to an LLC in 2012, ORWACA was formed to provide coverage by placing commercial insurance coverage for risks that don't fit into either HARRP or AHRP. Examples of these risks include earthquake, flood, builders' risk and a myriad of other coverages that have been required or desired.

ORWACA continues to provide a valuable service to AHRP's policy purchasers, obtaining competitive pricing for a variety of coverage lines, excess layers of coverage and umbrella coverage.

Examples of the typical types of coverage requested and readily available are:

- Builders' Risk • Owners' Liability
- Fidelity • Directors' & Officers'
- Bonds • Flood • Earthquake
- Tenant Discrimination • Excess
- Underground Storage Tanks (UST)
- Real Estate Errors & Omissions

[CONTRACTED SERVICES]

Based on the expertise and specific skillsets of the staff of Housing Authorities Risk Retention Pool (HARRP) in pool management and affordable housing, the AHRP Board of Directors elected to enter into a two year management agreement under which HARRP provides administrative services for AHRP. This agreement will expire on December 31, 2017.

The HARRP staff provides all management services to AHRP, bringing almost 90 combined years of expertise and broad experiences faced by pools, insurance industries, housing operations and agency functions, and a deep understanding of the specific tasks faced daily by affordable housing providers.

The management agreement between HARRP and AHRP is designed to reimburse HARRP for time and expense of HARRP's staff to administer the varied functions necessitated by AHRP and the core elements of the program. These costs are expensed monthly, based on detailed time sheets completed by all HARRP staff members daily. Competitive bidding for administrative services are conducted every three years.

On page 13 is a list of HARRP staff members who provide services to AHRP and a brief description of their respective functions:

[STAFF MEMBERS]

Back Row Left to Right:

- **GIL STUART**
  Account Executive
  ORWACA Agency, commercial quotes, marketing
- **MICHELLE FRYE**
  Director of Finance
  Accounts receivable, accounts payable, financial statements, human resources
- **WILLIAM (BILL) GREGORY**
  Executive Director
  Overall management, loss control issues, compliments, complaints, suggestions, coverage issues, board relations, human resources
- **REBECCA PLUMMER**
  Policy & Agency Administrator
  Assistance in AHRP policy development, billings, database management, agency support services
- **RICK GEHLHAAR**
  Director of Claims
  New and existing claims, claim status and resolution issues, litigation issues, loss control issues

Front Row Left to Right:

- **ADIAH SWENSON**
  Policy Administrator
  HARRP invoicing and data management, annual coverage renewal issues, requests for insurance certificates, adds and deletes
- **ALBERT (AL) ALVAREZ**
  Director of Risk Management
  Loss control issues, contractual risk transfer issues, risk/loss analysis, training needs, insurance contract evaluation
- **ROBIN COX**
  Claims Administrator
  New and existing claims, claim status and resolution issues, litigation issues

[BOARD OFFICERS]

The AHRP Board of Directors is comprised of nine members, seven of which are designated as Member Affiliated Directors who are elected by the HARRP Board of Directors, and two of which are Policyholder Affiliated Directors who are appointed by the Member Affiliated Directors.

AFFORDABLE AHRP HOUSING RISK POOL

The AHRP Directors as of December 31, 2015, were:

Scott Foster: Executive Director
Housing Authority of Jackson County
Medford, Oregon
AHRP President
(term ends 2018)

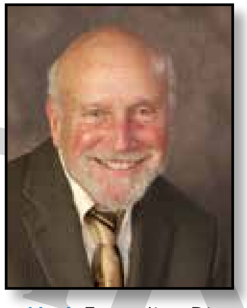
Renee Rooker: Executive Director
Walla Walla Housing Authority
Walla Walla, Washington
AHRP Vice President
(term ends 2016)

Duane Leonard: Associate Executive Director
Housing Authority of the County of Snohomish
Everett, Washington
(term ends 2017)

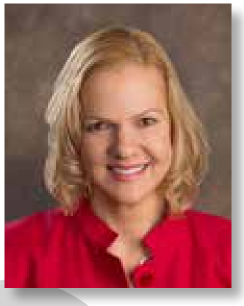
[BOARD OF DIRECTORS]

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

Ken Kugler: Executive Director, Housing Authority of the County of Tulare
Visalia, California
(term ends 2017)



Larry Abel: Executive Director
Housing and Community Services Agency of Lane County
Eugene, Oregon
(term ends 2017)



Elise Hui: Executive Director
Housing Authority of Yamhill County
McMinnville, Oregon
(term ends 2016)

Barbara Kauss: Executive Director, Housing Authority of the County of Stanislaus
Modesto, California
(term ends 2018)

David Ferrier: Executive Director
Community Housing Improvement Program, Chico, CA
(term ends 2016)

Jodi Erickson: Asset Manager
Willamette Neighborhood Housing Services
Corvallis, OR
(term ends 2018)

INDEPENDENT AUDITORS' REPORT

PERKINS & CO

The Board of Directors
Affordable Housing Risk Pool
Vancouver, WA

We have audited the accompanying consolidated financial statements of Affordable Housing Risk Pool (the "Pool") which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income and unassigned surplus and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Affordable Housing Risk Pool as of December 31, 2015 and 2014, 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.

Report on Supplemental Information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Management's Discussion and Analysis on pages 3 through 6 and Reconciliation of Claims Liabilities by Type of Coverage and the Yearly Loss Development Information on pages 18 through 20 are presented for purposes of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the Pool, and it is not a required part of the financial statements. We have applied certain limited procedures to the supplemental 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 consolidated financial statements, and other knowledge we obtained during our audits of the consolidated 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.

Report on Consolidating Information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 21 and 22 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash

continues page 17

Auditor's Report cont...
from page 16

flows of the individual entities, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Perkins & Company, P.C., Portland, OR
April 3, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS
(UNAUDITED)

■ INTRODUCTION

The management of the Affordable Housing Risk Pool LLC (AHRP) is pleased to offer this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with AHRP's consolidated financial statements and notes.

■ FINANCIAL HIGHLIGHTS

Primarily as a result of significant increases in claims and expenses and continue reduction in investment revenues, AHRP and its subsidiary ORWACA, had income of $269,877 in 2015 and a loss of $135,055 in 2014. AHRP's loss in 2014 provided a tax provision for deferred tax assets to be used in future profitable years.

■ GENERAL PROGRAM HIGHLIGHTS

AHRP was formed in 2011 as an alternative insurance provider for nonprofit corporations and tax credit limited partnerships and limited liability companies engaged in providing affordable housing. AHRP was organized as a limited liability company under the Oregon Limited Liability Company Act and is a wholly-owned subsidiary of the Housing Authorities Risk Retention Pool (HARRP). Based on an actuarial feasibility study, HARRP made a $5,000,000 capital contribution to AHRP in February, 2011. AHRP utilizes the same investment management firm as HARRP and is invested very conservatively. AHRP's capital is predominantly invested in obligations of the U.S. Government, U.S. Government agencies and U.S. Government sponsored agencies, with maturities of less than five years and a limited number of certificates of deposit under $245,000 each.

AHRP is a manager-managed limited liability company. The AHRP Board of Directors has full and exclusive responsibility over the management of the business and affairs of AHRP. The AHRP Board is comprised of nine directors, seven of which are Member Affiliated Directors and two are Policyholder Affiliated Directors. The Member Affiliated Directors are individuals who are current directors of HARRP and who are selected by HARRP to serve on the AHRP Board. The Member Affiliated Directors appoint the Policyholder Affiliated Directors, who are employees, officers, partners or managers of an AHRP policyholder, but

continues page 18

have no other relationship with HARRP or AHRP. The Board of Directors oversees program changes and recommendations, financial overview, underwriting, claims management and loss control.

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

■ FINANCIAL STATEMENT OVERVIEW

AHRP reports its financial activities on the accrual method of accounting. AHRP establishes a budget annually to monitor many aspects of the financial status of the pool.

The annual financial report includes a Balance Sheet, Statement of Income and Unassigned Surplus and a Statement of Cash Flows. This report also contains information to supplement the basic financial statements.

- The Balance Sheet presents information about the Pool's assets and liabilities, and net assets or members' equity. Future increases or a decrease in the members' equity from year to year is an indication of how effectively AHRP is rating its program to assure sufficient funding and AHRP's internal administrative efficiency.

- The Statement of Income and Unassigned Surplus presents information showing total revenues versus total expenses. All revenues and expenses are reported on an accrual basis. In the supplemental information section of the audit report is the Reconciliation of Claims Liabilities by Type of Coverage as well as the Yearly Loss Development Information. The Yearly Loss Development Information schedule for the inception period of 2015 will, over time, show loss development which confirms, or denies, that the originally funded rate was adequate, or inadequate, to cover the cost of losses as the loss matures.

	2015	2014
ANALYSIS OF BALANCE SHEET		
Assets		
Current and Other Assets	$ 7,229,961	$ 6,629,756
Capital Assets	-	-
Total Assets	$ 7,229,961	$ 6,629,756
Liabilities		
Current Liabilities	$ 2,953,102	$ 2,657,757
Noncurrent Liabilities	326,942	291,959
Total Liabilities	3,280,044	2,949,716
Unassigned Surplus	3,949,917	3,680,040
Total Liabilities and Unassigned Surplus	$ 7,229,961	$ 6,629,756

For complete information, please refer to the accompanying financial statements and the related notes to the financial statements.

continues page 19

■ ASSETS

Total assets increased by $600,205 from the increase in cash generated from premiums and investments.

AHRP has approximately $3.7 million invested predominantly in obligations of the U.S. Government, U.S. Government agencies and U.S. Government sponsored agencies government backed securities as stipulated by applicable state investment statutes. Income derived from these investments is used to determine future rates and to offset administrative costs associated with the implementation of services and compliance with local, state and federal statutes.

■ LIABILITIES

AHRP's liabilities are comprised of unearned member contributions (deferred revenue), claim reserves payable at a future date, incurred but not reported (IBNR) claims and accounts payable.

ANALYSIS OF THE STATEMENT OF INCOME AND UNASSIGNED SURPLUS

The *Statement of Income and Unassigned Surplus* depict the activities of AHRP for the fiscal year ended December 31, 2015. The revenues and expenses are presented on an accrual basis of accounting.

	2015	2014
Revenues		
Member Contributions	$ 3,889,036	$ 3,309,620
Investment Income (Loss)	64,197	46,723
Other Income	169,025	130,982
Total Revenue	4,122,258	3,487,325
Expenses		
Claims Expense	1,770,142	1,951,780
Administration/Other Expense	2,082,239	1,670,600
Total Expenses	3,852,381	3,622,380
Net Income (Loss)	269,877	(135,055)
Unassigned Surplus, Beginning	3,680,040	3,815,095
Capital Contribution	-	-
Unassigned Surplus, Ending	$ 3,949,917	$ 3,680,040

For complete information please refer to the accompanying financial statements and the related notes to the financial statements.

■ REVENUES

The predominant source of AHRP's revenue is policies issued and the resulting premium collected. Policyholder premium payments provide revenue for AHRP to manage its objectives of self-insurance and ceding risk. Annually, the rates are determined actuarially based on loss trends, exposure units, and other trending factors with rates ultimately adopted by the Board of Directors. Each State carries its own specific rates for property exposures and casualty risks, which are based on total insured values and number of units.

continues page 20

■ EXPENSES

Pool administration costs are comprised of administration and claims handling costs. In 2015, AHRP's administration expenses increased by $180,332, or 11%, due to continued company growth in 2015 and the corresponding reinsurance costs. These increases were taken into account in setting AHRP's rates for the 2015 calendar year.

Total direct costs for AHRP decreased by $181,638, or 9%, in 2015. This is primarily a result of lower claim costs and stabilizing rates from reinsurance coupled with increased efficiencies of program administration.

A critical element in AHRP's business operations are assurances of AHRP's financial strength that are provided to lenders and syndicators. This financial strength is bolstered by AHRP's partnership with a highly regarded global reinsurer, which enables AHRP to maintain an AM Best rating of A+.

■ DEBT ADMINISTRATION

AHRP has no existing or pending long term debt. HARRP, in its discretion, can provide additional capital investment in AHRP if needed.

■ FORECAST OF FACTS OR CONDITIONS AFFECTING RESULTS OF OPERATIONS

Because AHRP is heavily dependent on reinsurance and fronting, it is subject to many of the same volatile markets swings that the insurance industry faces. In an attempt to control the impact of market fluctuations, AHRP's strategy is to aggressively control claim costs and reliance on investment income to absorb market fluctuations. Additionally, AHRP will continue to devise methods of making the program more efficient and less dependent on the insurance industry.

■ FINANCIAL CONTACT

This financial report is designed to provide a general overview of AHRP's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Affordable Housing Risk Pool LLC.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,284,947	$ 1,724,949
Interest receivable	17,611	19,794
Investments	183,111	106,680
Accounts receivable, net	242,039	213,080
Prepaid expenses	459,973	317,437
Receivables from tax authorities	8,256	29,483
Deferred income tax asset	155,703	130,268
Total current assets	3,351,640	2,541,691
DEFERRED INCOME TAX ASSET	289,137	495,169
NON-CURRENT INVESTMENTS	3,589,184	3,592,896
	$ 7,229,961	$ 6,629,756
LIABILITIES AND UNASSIGNED SURPLUS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 50,055	$ 111,000
Unearned contributions	2,140,181	1,865,518
Current portion of losses and loss adjustment expense reserves	762,866	681,239
Total current liabilities	2,953,102	2,657,757
NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES	326,942	291,959
Total liabilities	3,280,044	2,949,716
UNASSIGNED SURPLUS	3,949,917	3,680,040
	$ 7,229,961	$ 6,629,756

CONSOLIDATED STATEMENTS OF INCOME & UNASSIGNED SURPLUS

THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
OPERATING REVENUES:		
Contributions earned	$ 3,889,036	$ 3,309,620
Commissions	169,025	130,982
Total operating revenues	4,058,061	3,440,602
OPERATING EXPENSES:		
Change in losses and loss adjustment expenses incurred	1,770,142	1,951,780
Excess and reinsurance expense	1,331,246	1,125,908
Professional fees	45,928	37,800
General and administrative expense	501,790	530,757
Depreciation expense	-	4,167
Total operating expenses	3,649,106	3,650,412
OPERATING INCOME (LOSS)	408,955	(209,810)
NON-OPERATING INCOME		
Investment income	64,197	46,723
NET INCOME (LOSS) BEFORE INCOME TAX	473,152	(163,087)
INCOME TAX BENEFIT (EXPENSE)	(203,275)	28,032
NET INCOME (LOSS)	269,877	(135,055)
UNASSIGNED SURPLUS, BEGINNING OF YEAR	3,680,040	3,815,095
UNASSIGNED SURPLUS, ENDING OF YEAR	$ 3,949,917	$ 3,680,040

CONSOLIDATED STATEMENTS OF CASH FLOWS

THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Contributions received	$ 4,091,985	$ 3,549,772
Commissions received	211,783	85,281
Interest paid	(6,339)	(792)
Taxes paid	(22,678)	(1,302)
Losses and loss adjustment expenses paid	(1,653,534)	(2,476,436)
Salaries and benefits paid	(263,534)	(255,672)
General and administrative expenses paid	(423,550)	(105,893)
Professional fees paid	(45,928)	(37,800)
Excess insurance expenses paid	(862,934)	(742,677)
Reinsurance expenses paid	(465,273)	(379,921)
Net cash provided by (used in) operating activities	559,998	(365,440)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	559,998	(365,440)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,724,949	2,090,389
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,284,947	$ 1,724,949
RECONCILIATION OF NET INCOME (LOSS) TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net income (loss)	$ 269,877	$ (135,055)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation expense	-	4,167
Deferred income taxes	180,597	(28,824)
Change in fair value of investments	(72,719)	(54,505)
Changes in assets and liabilities:		
Accounts receivable, net	(28,959)	(39,426)
Interest receivable	2,183	6,480
Receivables from tax authorities	21,230	204,155
Prepaid expenses	(142,537)	(133,992)
Unearned contributions	274,663	233,877
Accounts payable and accrued expenses	(60,945)	102,339
Losses and loss adjustment expense reserves	116,608	(524,656)
Net cash provided by (used in) operating activities	$ 559,998	$ (365,440)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Affordable Housing Risk Pool (the "Pool") is a wholly-owned subsidiary of Housing Authorities Risk Retention Pool ("HARRP") created for the purpose of offering property, general liability, and tenant discrimination coverage to low income housing tax credit and non-profit corporations providing affordable housing. The Pool began operations on March 31, 2011.

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

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Affordable Housing Risk Pool ("AHRP") and ORWACA Agency Insurance Services, Inc. ("Agency"). The Agency is a member managed LLC owned by AHRP (100% ownership). All activity of the Agency from January 1, 2014 to December 31, 2015 has been included in these consolidated financial statements. All significant intercompany transactions have been eliminated in consolidation.

Pool Administration - The Pool has engaged its parent-company, HARRP, to be the service administrator of the Pool. Through a management agreement with HARRP, administration and expenses for services such as securing insurance coverage, marketing, underwriting, preparation of financial statements, claims administration, risk management, billing, collections, contribution audits and other services are paid directly to HARRP. Underwriting expense includes $416,196 and $441,903 (consolidated) in administrative fees for services performed under this agreement in 2015 and 2014, respectively. Included in accounts payable at December 31, 2015 is $34,244 owed to HARRP. Included in accounts receivable at December 31, 2015 and 2014, is $14,473 and $2,364 owed to HARRP, respectively.

Basis of Accounting - This Pool's financial statements are prepared on the accrual basis of accounting. Under this method, revenues from contributions and interest are recognized when earned and expenses are recorded at the time liabilities are incurred. The Pool applies all applicable Financial Accounting Standards Board (FASB) pronouncements.

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

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. Policyholder deductibles, self-insured retention (SIR), reinsurance and excess insurance for each program are as follows:

continues page 25

NOTES continued from page 24

GENERAL LIABILITY

Member Deductible:	None-or-$2,500 to 10% of claim per occurrence
SIR:	$1,000,000 per occurrence
Reinsurance:	$1,000,000 per occurrence

PROPERTY

Member Deductible:	$1,000 to $25,000 per occurrence (varies)
SIR:	$1,000,000 per occurrence
Reinsurance	$1,000,000 per occurrence
Excess:	$2,000,001 to $45,000,000

TENANT DISCRIMINATION

Member Deductible:	None- or-$2,500 to 10% of claim per occurrence
SIR:	$150,000 per occurrence

Advertising - Advertising costs are expensed as incurred. Advertising expense was $29,227 and $40,768 for the years ended December 31, 2015 and 2014, 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.

Accounts Receivable - Accounts receivable reflects uncollateralized amounts due from policyholders for contributions billed. Contributions are due from 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 to collect amounts owed. There were no receivable balances delinquent more than 90 days as of December 31, 2015 and 2014. The Pool did not provide an allowance for doubtful accounts as all accounts receivables are considered collectible.

Unearned Contribution/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 market value. Changes in fair market value are reported as revenue in the statement of operations and statement of unassigned surplus. Fair market value of investments has been determined by the Pool based on quoted market prices. Realized losses on investments sold and reinvested in 2015 and 2014 were $2,377 and $147, respectively. The Pool considers all investments to be classified as trading securities. As a result all unrealized changes in the value of investments are included in the income statement.

Losses and Loss Adjustment Expense - The 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.

continues page 26

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.

Contribution Revenue - Revenues mainly consist of premium contributions from policyholders. 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 planned 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 and is recognized as revenues in the period for which insurance protection is provided.

Income Tax Status - The 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.

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 on AHRP's income tax return.

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 with income tax positions, such expense would be recognized as an operating expense.

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 actual results could differ from those statements.

Reclassifications - Certain reclassifications were made to the 2014 financial statements in order to conform to the 2015 presentation.

Recently Adopted Accounting Standards - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, which supersedes nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States of America ("U.S. GAAP"). The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014 09 defines a five step process to achieve this core principle and, in doing so, more judgment and es-

continues page 27

timates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2018. The Company has not yet evaluated the impact of adopting this standard.

On November 20, 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes. The new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The new guidance will be effective for fiscal years beginning after December 15, 2017. The Company has not yet evaluated the impact of adopting this standard.

In February 2016, the FASB issued ASU 2016-02, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The new standard is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Pool has not yet evaluated the impact of the adoption of the new standard on the consolidated financial statements.

In May 2015, the FASB issued ASU No. 2015-09, Disclosures about Short-Duration Contracts. The new guidance requires enhanced disclosure requirements for insurers relating to short-duration insurance contract claims and the unpaid claims liability roll forward for long and short-duration contracts. The new guidance will be effective for fiscal years beginning after December 15, 2015 and for interim reporting periods thereafter with early application permitted. The Pool has not yet evaluated the impact of adopting this standard.

NOTE 2 – CASH & CASH EQUIVALENTS

Cash consisted of the following at December 31:

	2015	2014
Balance per bank	$ 2,400,155	$ 1,731,401
Less: outstanding checks	(115,208)	(6,452)
Total cash and equivalents	$ 2,284,947	$ 1,724,949

The amount of Affordable Housing Risk Pool cash is covered by federal depository insurance up to $250,000.

ORWACA Insurance Agency, LLC's cash is restricted for use by the State of Washington until the premiums are paid to the respective insurance companies.

NOTE 3 – INVESTMENTS

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

	2015	2014
Federal agencies	$ 1,895,955	$ 2,720,812
Certificates of deposit	1,876,340	978,764
Total	$ 3,772,295	$ 3,699,576

continues page 28

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 Type	Fair Value	Investment Maturities as of December 31, 2015 <1 yr	1-3 yrs	>3 yrs
Federal agencies	$ 1,895,955	$ 183,111	$ 1,213,286	$ 499,558
Certificates of deposits	1,876,340	-	99,740	1,776,600
Total investments at fair value	$ 3,772,295	$ 183,111	$ 1,313,026	$ 2,276,158

Investment Type	Fair Value	Investment Maturities as of December 31, 2014 <1 yr	1-3 yrs	>3 yrs
Federal agencies	$ 2,720,812	$ 106,680	$ 1,266,267	$ 1,347,865
Certificates of deposits	978,764	-	-	978,764
Total investments at fair value	$ 3,699,576	$ 106,680	$ 1,266,267	$ 2,326,629

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 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.

Concentration of Risk - The Pool's investment policy allows for purchase of unlimited quantities of U.S. Treasury obligations, U.S. Government agency securities, or Money Market bank accounts. At December 31, the investments concentrated 5.0% or more as a percentage of the total investment portfolio were as follows:

	2015 % of Portfolio	2014 % of Portfolio
Federal Home Loan Banks	15.65%	24.20%
Federal National Mortgage Association	12.49%	23.21%
Federal Farm Credit Banks	4.17%	8.40%
Certificates of Deposit	49.74%	26.46%
Corporate Bonds	13.73%	10.51%

NOTE 4 – FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820, Fair Value Measurements and Disclosures, are as follows:

Level 1: Inputs are based upon unadjusted quoted prices for identical assets and liabilities traded in active markets.

continues page 29

Level 2: Inputs are based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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

	Fair Value	Level 1	Level 2	Level 3
December 31, 2015:				
Federal agencies	$ 1,895,955	$ 1,895,955	$ -	$ -
Certificates of deposits	1,876,340	1,876,340	-	-
Total investments at fair value	$ 3,772,295	$ 3,772,295	$ -	$ -

	Fair Value	Level 1	Level 2	Level 3
December 31, 2014:				
Federal agencies	$ 2,720,812	$ 2,720,812	$ -	$ -
Certificates of deposits	978,764	978,764	-	-
Total investments at fair value	$ 3,699,576	$ 3,699,576	$ -	$ -

NOTE 5 – 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:

	2015	2014
Losses and loss adjustment expense reserves, beginning of period	$ 973,198	$ 1,497,854
Incurred losses and loss adjustment expenses:		
Provision for covered events of the current period	1,862,539	1,646,914
Increase (decrease) in provision for covered events of the prior year	(92,397)	304,866
	1,770,142	1,951,780
Payments:		
Losses and loss adjustment expenses attributable to covered events of the current period	944,946	967,617
Losses and loss adjustment expenses attributable to covered events of the prior period	708,586	1,508,819
	1,653,532	2,476,436
Loss and loss adjustment expense reserves, end of period	$ 1,089,808	$ 973,198
Detail of losses and loss adjustment expense reserves		
Current portion	$ 762,866	$ 681,239
Long-term portion	326,942	291,959
	$ 1,089,808	$ 973,198

NOTES continued from page 29

NOTE 6 – INCOME TAXES

Income tax benefit (expense) consists of the following for the period ended December 31:

	2015	2014
Current - Federal	$ -	$ (275)
Current - State	(22,679)	(518)
	(22,679)	(793)
Deferred - Federal	(164,576)	24,942
Deferred - State	(16,020)	3,883
	(180,596)	28,825
	$ (203,275)	$ 28,032

The 2015 effective tax rate differs from the rate applied to the net income before income taxes principally due to differences from state taxes.

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

	2015	2014
Current:		
Unearned contributions	$ 132,121	$ 105,135
Unrealized losses	6,307	9,376
Loss reserve discount	17,275	15,757
Total current	155,703	130,268
Noncurrent:		
Federal net operating loss	232,733	390,415
State net operating loss	28,790	82,533
Capital loss disallowed	24,074	22,221
Capital loss utilized	3,540	-
Total noncurrent	289,137	495,169
Net deferred tax assets	$ 444,840	$ 625,437

NOTE 7 – EXCESS INSURANCE AND REINSURANCE

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

The Pool provides general liability, property and tenant discrimination coverage. The general liability coverage for the Pool 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, the Pool secures $45,000,000 in excess of the underlying $2,000,000 for property losses through an additional excess insurance policy.

NOTE 8 – SUBSEQUENT EVENTS

We have evaluated subsequent events through March 31, 2016, the date these financial statements were available to be issued.

5

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