

Financial Statements
and Other Financial Information



American Guaranty Fund Group, Inc.

*Years ended December 31, 2020 and 2019
with Report of Independent Auditors*



American Guaranty Fund Group, Inc.

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Years ended December 31, 2020 and 2019

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Report of Independent Auditors

The Board of Directors
American Guaranty Fund Group, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of American Guaranty Fund Group, Inc. (the Group) which comprise the balance sheets as of December 31, 2020 and 2019, the related statements of operations and changes in 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Guaranty Fund Group, Inc. as of December 31, 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.

Other Matter

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

Thomas Howell Ferguson P.A.

Tallahassee, Florida
March 8, 2021

American Guaranty Fund Group, Inc.

Balance Sheets

	December 31,	
	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ <u>863,974</u>	\$ <u>850,000</u>
Total assets	<u>\$ 863,974</u>	<u>\$ 850,000</u>
Liabilities and equity		
Liabilities:		
Unearned revenue	\$ 850,000	\$ 850,000
Accounts payable	<u>13,974</u>	<u>-</u>
Total liabilities	<u>863,974</u>	<u>850,000</u>
Total liabilities	863,974	850,000
Equity:		
Retained earnings	<u>-</u>	<u>-</u>
Total liabilities and equity	<u>\$ 863,974</u>	<u>\$ 850,000</u>

See accompanying notes.

American Guaranty Fund Group, Inc.

Statements of Operations and Changes in Equity

	Years ended December 31,	
	<u>2020</u>	<u>2019</u>
Revenues:		
Reimbursements from affiliated entities	\$ 9,086,405	\$ 5,770,259
Other income	<u>2,500</u>	<u>-</u>
Total revenues	<u>9,088,905</u>	<u>5,770,259</u>
Expenses:		
Claims handling fees	4,030,478	542,237
Direct estate expenses	448,152	150,118
General and administrative expenses	4,487,165	4,296,698
Other expenses	<u>123,110</u>	<u>781,206</u>
Total expenses	<u>9,088,905</u>	<u>5,770,259</u>
Net income	-	-
Retained earnings at beginning of year	<u>-</u>	<u>-</u>
Retained earnings at end of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

American Guaranty Fund Group, Inc.

Statements of Cash Flows

	Years ended December 31,	
	<u>2020</u>	<u>2019</u>
Operating activities		
Net income	\$ -	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Unearned revenue	-	40,000
Accounts payable	13,974	-
Intercompany receivable	-	<u>125,791</u>
Net cash provided by (used in) operating activities	<u>13,974</u>	<u>165,791</u>
Net increase in cash and cash equivalents	13,974	165,791
Cash and cash equivalents at beginning of year	<u>850,000</u>	<u>684,209</u>
Cash and cash equivalents at end of year	<u>\$ 863,974</u>	<u>\$ 850,000</u>

See accompanying notes.

American Guaranty Fund Group, Inc.

Notes to Financial Statements

Years ended December 31, 2020 and 2019

1. Organization and Significant Accounting Policies

American Guaranty Fund Group, Inc. (the Group) began operations in January 2004 as a management services company. The Group currently provides management and administrative services to Florida Workers' Compensation Insurance Guaranty Association, Inc. (FWCIGA) and Florida Insurance Guaranty Association, Inc. (FIGA) to assist these guaranty funds in the discharge of their statutory responsibility to handle promptly and efficiently covered claims against insolvent insurers and insurer organizations. In addition, the Group, from time to time, provides claims administration services for the Florida Department of Financial Services (the Receiver) through a provider contract. FWCIGA and FIGA are members of AGFG, however control remains at the member level through equal representation on the AGFG board of directors.

With the Group providing management and administrative services to FWCIGA and FIGA, these entities are also considered related through common management.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies are described below.

Cash and Cash Equivalents

The financial instruments exposed to concentrations of credit risk consist primarily of its cash and cash equivalents. Cash and cash equivalents consist of demand deposits with a financial institution. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Bank deposits at times may exceed federally insured limits. The Group has not experienced any losses in such accounts.

For the purposes of the statements of cash flows, the Group considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

The Group recognizes reimbursements revenue in the period that services are provided. Amounts billed or collected in advance are recorded as unearned revenue.

American Guaranty Fund Group, Inc.

Notes to Financial Statements

1. Organization and Significant Accounting Policies (continued)

Claims Handling Fees

Claims handling fees are expenses incurred by the Group related to processing FWCIGA and FIGA claims. These amounts are expensed when incurred and are reimbursed by FWCIGA and FIGA.

Direct Estate Expenses

Direct estate expenses are expenses incurred by the Group related directly to the protection of FWCIGA and FIGA's interest in the administration of specific insolvent insurers' estates. These amounts are expensed when incurred and are reimbursed by FWCIGA and FIGA.

General and Administrative Expenses

General and administrative expenses are expensed when incurred and are primarily reimbursed by FWCIGA and FIGA.

Income Taxes

The Group uses the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. There were no material temporary differences that would affect the deferred tax assets of the Group at December 31, 2020 and 2019. With few exceptions, the Group is no longer subject to examinations by major tax jurisdictions for years ended December 31, 2016 and prior.

Use of 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. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Group has evaluated subsequent events through March 8, 2021, the date the financial statements were available to be issued. During the period from December 31, 2020 to March 8, 2021, the Group did not have any material recognizable subsequent events.

American Guaranty Fund Group, Inc.

Notes to Financial Statements

2. Management Services Agreements

The Group has entered into agreements with FWCIGA and FIGA to provide management and administrative services. Under the terms of the agreement, the Group provides management and administrative services to FWCIGA and FIGA, including but not limited to general management responsibility, finance and accounting, overseeing and managing the claims divisions, and managing and supervising the day to day activities. FWCIGA and FIGA reimburse the Group for all amounts paid by the Group except those related to the administration of a contract with a receiver. Costs incurred by the Group that are directly attributable to a specific entity are charged to the applicable entity. All other costs incurred by the Group are distributed equitably to FWCIGA and FIGA based on various allocation methods. The Group's contract may be terminated with 30 days written notice by either party, with or without cause. FWCIGA and FIGA each pay the Group in advance of each calendar year an amount equal to the two month average budget for their respective entity projected for the upcoming calendar year. Expenses incurred and reimbursements received by the Group under this agreement totaled \$9,086,405 and \$5,770,259 for the years ended December 31, 2020 and 2019, respectively, as reported in the statements of activities and changes in net assets.

3. Retirement Plan

The Group employees have the option of participating in the American Guaranty Fund Group, Inc. 401(k) Profit Sharing Plan (the Plan). The Plan is available to employees meeting certain entry requirements. The Group makes discretionary employer contributions to the Plan on a matching basis. Employer contributions paid for the years ended December 31, 2020 and 2019 were \$244,130 and \$227,122, respectively, and are included in salaries and benefits in the accompanying schedules of general and administrative expenses.

Other Financial Information

American Guaranty Fund Group, Inc.

Schedule of General and Administrative Expenses

Year ended December 31, 2020

	<u>FIGA</u>	<u>FWCIGA</u>	<u>AGFG</u>	<u>Total</u>
Accounting and auditing	\$ 78,153	\$ 74,965	\$ -	\$ 153,118
Bank fees	18,712	26,007	-	44,719
Communication	45,776	13,775	1,130	60,681
Consulting	54,479	2,807	-	57,286
Dues and publications	162,699	56,282	-	218,981
Furniture and equipment	300,354	59,725	700	360,779
Insurance	67,586	50,991	-	118,577
Legal fees	63,611	56,762	-	120,373
Office supplies and printing	6,962	2,548	-	9,510
Postage and shipping	5,902	2,685	-	8,587
Premises	38,733	21,892	670	61,295
Salaries and benefits	2,142,328	1,078,098	-	3,220,426
Taxes and licenses	19,464	17,739	-	37,203
Travel and meals	9,486	6,144	-	15,630
	<u>\$ 3,014,245</u>	<u>\$ 1,470,420</u>	<u>\$ 2,500</u>	<u>\$ 4,487,165</u>

See report of independent auditors.

American Guaranty Fund Group, Inc.

Schedule of General and Administrative Expenses

Year ended December 31, 2019

	<u>FIGA</u>	<u>FWCIGA</u>	<u>AGFG</u>	<u>Total</u>
Accounting and auditing	\$ 69,916	\$ 57,420	\$ -	\$ 127,336
Bank fees	18,844	26,724	-	45,568
Communication	29,728	8,899	-	38,627
Consulting	43,228	72,851	-	116,079
Dues and publications	152,002	52,976	-	204,978
Furniture and equipment	292,357	45,246	-	337,603
Insurance	60,260	46,278	-	106,538
Legal fees	77,808	56,595	-	134,403
Office supplies and printing	7,311	2,140	-	9,451
Postage and shipping	3,028	1,970	-	4,998
Premises	38,250	20,749	-	58,999
Salaries and benefits	2,015,806	971,807	-	2,987,613
Taxes and licenses	20,861	14,463	-	35,324
Travel and meals	52,862	36,319	-	89,181
	<u>\$ 2,882,261</u>	<u>\$ 1,414,437</u>	<u>\$ -</u>	<u>\$ 4,296,698</u>

See report of independent auditors.