National Insurance Producer Registry

Financial Report
December 31, 2021

Contents

Independent Auditor's Report

Audit Committee
National Insurance Producer Registry

Opinion
We have audited the financial statements of National Insurance Producer Registry (NIPR), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NIPR as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NIPR and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NIPR's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NIPR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NIPR's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Kansas City, Missouri
March 10, 2022

National Insurance Producer Registry

Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	**$ 35,224,809**	$ 25,169,638
Accounts receivable, less allowance for doubtful accounts of 2021—$3,000 and 2020—$3,000	**5,244,543**	5,013,632
Prepaid expenses	**955,309**	217,512
Investments	**57,783,776**	50,812,148
Total current assets	**99,208,437**	81,212,930
Property and equipment, net	**-**	9,200
Total assets	**$ 99,208,437**	$ 81,222,130
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 5,757,484**	$ 3,993,045
Accrued expenses	**1,412,241**	1,006,183
Total current liabilities	**7,169,725**	4,999,228
Net assets:		
Without donor restrictions	**92,038,712**	76,222,902
Total liabilities and net assets	**$ 99,208,437**	$ 81,222,130

See notes to financial statements.

National Insurance Producer Registry

Statements of Activities
Years Ended December 31, 2021 and 2020

	2021	2020
Revenues:		
Access and transaction fees	**$ 61,662,105**	$ 47,939,593
Other income	**17**	128
Total revenues	**61,662,122**	47,939,721
Expenses:		
Administrative services and license fees	**25,828,068**	20,593,898
Salaries	**9,908,027**	8,817,706
Employee benefits	**3,798,694**	3,182,549
Professional services	**10,014,705**	8,397,934
Travel	**191,597**	103,186
Rental and maintenance	**579,274**	588,844
Depreciation	**9,200**	12,267
Insurance	**123,400**	101,611
Supplies	**214,033**	179,274
Bad-debt expense	**6,458**	46,707
Other expenses	**13,925**	14,304
Total expenses	**50,687,381**	42,038,280
Changes in net assets before net investment income	**10,974,741**	5,901,441
Net investment income	**4,841,069**	5,274,576
Changes in net assets without donor restrictions	**15,815,810**	11,176,017
Net assets, beginning of year	**76,222,902**	65,046,885
Net assets, end of year	**$ 92,038,712**	$ 76,222,902

See notes to financial statements.

National Insurance Producer Registry

Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Changes in net assets without donor restrictions	**$ 15,815,810**	$ 11,176,017
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	**9,200**	12,267
Net realized and unrealized gain on investments	**(3,271,668)**	(4,202,093)
Changes in operating assets and liabilities:		
Accounts receivable	**(230,911)**	(2,015,289)
Interest receivable	**-**	28,655
Prepaid expenses	**(737,797)**	63,493
Accounts payable	**1,764,439**	459,929
Accrued expenses	**406,058**	86,945
Net cash provided by operating activities	**13,755,131**	5,609,924
Cash flows from investing activities:		
Purchase of investments	**(12,021,586)**	(9,551,649)
Proceeds from disposition of investments	**8,321,626**	8,437,537
Net cash used in investing activities	**(3,699,960)**	(1,114,112)
Net increase in cash and cash equivalents	**10,055,171**	4,495,812
Cash and cash equivalents:		
Beginning	**25,169,638**	20,673,826
Ending	**$ 35,224,809**	$ 25,169,638

See notes to financial statements.

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

Nature of operations: National Insurance Producer Registry (NIPR) is a nonprofit affiliate of the National Association of Insurance Commissioners (the NAIC). NIPR combines the strengths of the public and private sectors to create products and services that benefit insurance regulators, industry and consumers.

Basis of accounting for revenues: NIPR recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer.
- Identify performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when or as performance obligations are satisfied.

Revenue from contracts with customers is derived primarily from access fees and transaction fees.

NIPR’s access fees revenue is recognized at a point in time and consists of performance obligations that are satisfied when users access NIPR’s Producer Database (PDB). The PDB is an electronic database consisting of information relating to insurance agents and brokers. The PDB links participating state regulatory licensing systems into one common repository of producer information. Prices are distinct to a performance obligation. For the years ended December 31, 2021 and 2020, access fees revenue was $18,081,667 and $15,111,391, respectively.

NIPR’s transactions fees revenue is recognized at a point in time and consists of performance obligations that are satisfied when users process transactions through the NIPR Gateway. The NIPR Gateway facilitates the electronic exchange of producer information, including license applications, appointments and terminations. Prices are distinct to a performance obligation. For the years ended December 31, 2021 and 2020, access fees revenue was $43,557,749 and $32,822,233, respectively.

Associated accounts receivable for revenue from contracts as of December 31, 2021 and 2020, were $5,244,543 and $5,013,632, respectively. There were no changes in access fees and transaction fees that would affect economic seasonality of the statements of financial position.

NIPR did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

Basis of accounting and presentation: NIPR presents its financial statements based on ASC Topic 985, Presentation of Financial Statements. Net assets, revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of NIPR and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions but may be subject to board designations. At December 31, 2021 and 2020, net assets consisted entirely of net assets without donor restrictions.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Net assets with donor restrictions: Net assets are subject to donor-imposed restrictions that may or will be met either by actions of NIPR and/or the passage of time. Also included within this category are net assets subject to donor-imposed restrictions to be maintained permanently by NIPR. Generally, the donors of these assets permit NIPR to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2021 and 2020, NIPR does not have any net assets with donor restrictions.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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: NIPR considers all liquid investments with original maturities of one year or less to be cash equivalents. At December 31, 2021 and 2020, cash equivalents consisted primarily of money market funds. NIPR, at times, maintains deposits with banks in excess of the insured limits, but has not experienced any losses in such accounts.

Accounts receivable: Accounts receivable are stated at the amounts billed to customers. NIPR provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Past-due accounts are periodically reviewed by management. Delinquent and/or uncollectible receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Prepaid expenses: Prepaid expenses include general expenses, insurance, and cloud implementation fees that are amortized to expense ratably over the term of the related arrangement.

Investments: NIPR carries its investments at their fair values. Unrealized gains and losses are included in the change in net assets in the accompanying financial statements.

Investments may be exposed to various risks, such as interest rate, market and credit risks. As a result, it is at least reasonably possible that changes in risks in the near term could affect investment balances, and those effects could be significant.

Fair value of financial instruments: The following methods and assumptions were used to estimate the fair value of each class of NIPR's financial instruments at December 31, 2021 and 2020:

Cash and cash equivalents: The carrying amount approximates fair value because of the short maturity of these instruments.

Investment securities, except alternative investments: The fair values of fixed-income and domestic and international equity investments are based on quoted market prices at the reporting date for those or similar investments. A portion of the fixed-income investments is valued based on quoted prices for similar instruments in active markets.

Alternative investments: NIPR reports the fair value of alternative investments using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by NIPR based on various factors.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Fair value measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in its principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. NIPR accounts for its investments at fair value. In accordance with the guidance, NIPR has categorized its investments based on the priority of the inputs to the valuation technique, which gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Quoted prices for identical instruments traded in active markets

Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, or derived from inputs that are observable

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker trade transactions; Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities

Investments and concentrations of credit risk: Financial instruments that potentially subject NIPR to significant concentrations of credit risk consist principally of cash and investments. NIPR maintains deposits in financial institutions in excess of federally insured limits. Management monitors the soundness of these financial institutions and believes NIPR’s risk is negligible. NIPR has not experienced any losses in such accounts.

Alternative investments are redeemable with the fund at NAV under the original terms of the partnership and/or subscription agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future, in accordance with the fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of NIPR’s interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. It is therefore reasonably possible that if NIPR were to sell these investments in the secondary market, a buyer may require a discount to the reported NAV, and the discount could be significant.

Property and equipment: Property and equipment is stated at cost. Routine repairs and maintenance are expensed as incurred. Depreciation is computed by the straight-line method over the estimated useful life of the related assets.

	Years
Furniture and equipment	5
Computer software	3
Computer hardware	3

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Income taxes: NIPR has been granted exemption from income taxes by the Internal Revenue Service under the provisions of section 501(c)(6) of the Internal Revenue Code and a similar provision of state law. However, NIPR is subject to federal income tax on any unrelated business taxable income.

Uncertain tax positions, if any, are recorded in accordance with ASC Topic 740, Income Taxes. ASC 740 requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at December 31, 2021 or 2020.

Functional expenses: The Not-for-Profit Entities topic of the ASC requires nonprofit organizations to disclose expenses by functional classification. NIPR presents expenses only by their natural classification on the statements of activities for the years ended December 31, 2021 and 2020, as there is only one program (regulatory support services) with multiple service offerings. Therefore, management does not allocate expenses between multiple programs and supporting expenses. Management believes that disclosing expenses by function is insignificant to the financial statements taken as a whole and, therefore, does not apply the provision of the topic as it relates to the disclosure of expenses by functional classification.

Recent accounting pronouncement: In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in ASC Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position 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 activities. The new standard is effective for fiscal year 2022. NIPR has no lease obligations but is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Note 2. Liquidity and Availability of Resources

NIPR regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2021 and 2020, the following financial assets are available to meet annual operating needs of the subsequent fiscal year:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	$ 35,224,809	$ 25,169,638
Accounts receivable, net	5,244,543	5,013,632
Investments	57,783,776	50,812,148
Total financial assets	$ 98,253,128	$ 80,995,418

NIPR has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, and marketable debt and equity securities. See Note 3 for information about NIPR's investments.

National Insurance Producer Registry

Notes to Financial Statements

Note 3. Investments and Investment Income

Investments carried at fair value at December 31, 2021 and 2020, consisted of the following:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Government bonds	$ -	$ -	$ 1,142,217	$ 1,271,444
Fixed-income mutual funds	21,000,903	21,078,725	17,399,506	17,979,178
Foreign fixed-income funds	1,736,200	1,703,456	1,939,653	1,996,276
Domestic equity mutual funds	3,424,464	5,072,581	3,230,593	4,213,727
Real estate investment trusts	-	-	1,553,648	1,448,965
Common stock:				
Industrials	529,113	709,659	407,424	543,586
Consumer discretionary	1,791,824	2,964,741	1,170,137	1,815,162
Financials	1,283,508	2,067,971	752,504	1,247,816
Information technology	1,525,926	3,679,054	813,043	2,162,651
Other industries	3,479,031	5,190,389	2,895,713	3,947,367
Foreign equity mutual funds	9,101,275	10,526,198	7,595,791	9,770,751
Alternative equity hedge funds	4,000,000	4,791,002	4,000,000	4,415,225
	$ 47,872,244	$ 57,783,776	$ 42,900,229	$ 50,812,148

Total net investment income is composed of the following:

	2021	2020
Interest and dividend income	$ 1,689,339	$ 1,160,862
Net realized gains	1,272,055	106,164
Net unrealized gains	1,999,613	4,095,929
Investment manager fees	(119,938)	(88,379)
	$ 4,841,069	$ 5,274,576

Note 3. Investments and Investment Income (Continued)

The following tables summarize the financial investments measured at fair value on a recurring basis, segregated by the general classification of such instruments pursuant to the valuation hierarchy:

	December 31, 2021			
	Total Fair Value	Level 1	Level 2	Level 3
Fixed-income mutual funds	$ 21,078,725	$ 21,078,725	$ -	$ -
Foreign fixed-income funds	1,703,456	1,703,456	-	-
Domestic equity mutual funds	5,072,581	5,072,581	-	-
Common stock:				
Industrials	709,659	709,659	-	-
Consumer discretionary	2,964,741	2,964,741	-	-
Financials	2,067,971	2,067,971	-	-
Information technology	3,679,054	3,679,054	-	-
Other industries	5,190,389	5,190,389	-	-
Foreign equity mutual funds	10,526,198	10,526,198	-	-
	52,992,774	$ 52,992,774	$ -	$ -
Investments measured at net asset value:				
Alternative equity hedge funds	4,791,002			
Total investments	$ 57,783,776			

Note 3. Investments and Investment Income (Continued)

	December 31, 2020			
	Total Fair Value	Level 1	Level 2	Level 3
Government bonds	$ 1,271,444	$ -	$ 1,271,444	$ -
Fixed-income mutual funds	17,979,178	17,979,178	-	-
Foreign fixed-income funds	1,996,276	1,996,276	-	-
Domestic equity mutual funds	4,213,727	4,213,727	-	-
Real estate investment trusts	1,448,965	1,448,965	-	-
Common stock:				
Industrials	543,586	543,586	-	-
Consumer discretionary	1,815,162	1,815,162	-	-
Financials	1,247,816	1,247,816	-	-
Information technology	2,162,651	2,162,651	-	-
Other industries	3,947,367	3,947,367	-	-
Foreign equity mutual funds	9,770,751	9,770,751	-	-
	46,396,923	$ 45,125,479	$ 1,271,444	$ -
Investments measured at net asset value:				
Alternative equity hedge funds	4,415,225			
Total investments	$ 50,812,148			

	Alternative Equity Funds	
	2021	2020
Total gains (losses), net, included in earnings attributable to the change in unrealized gains, net, relating to financial instruments still held	$ 375,778	$ 426,578

The following table sets forth additional disclosures of NIPR's investments whose fair value is estimated using NAV per share (or its equivalent) as of December 31, 2021 and 2020:

Investment	Fair Value at December 31 2021	Fair Value at December 31 2020	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Magnitude International (A)	$ 4,791,002	$ 4,415,225	$ -	Quarterly	65 days
	$ 4,791,002	$ 4,415,225			

(A) This fund's investment objective is to deliver a 5% return over LIBOR, net of fees, over an extended market cycle with a target of achieving 5% annual volatility. The fund is a globally diversified, multistrategy, multimanager portfolio that seeks to maximize expected active return from investing in hedge funds while minimizing passive risk and managing exposure to shock risk.

Note 4. Property and Equipment

Property and equipment at December 31, 2021 and 2020, consisted of the following:

	2021	2020
Furniture and equipment	$ 19,930	$ 19,930
Computer hardware	13,335	13,335
Computer software	122,252	122,252
	155,517	155,517
Less accumulated depreciation and amortization	155,517	146,317
	$ -	$ 9,200

Note 5. Related-Party Transactions

NIPR and the NAIC executed a License and Services Agreement (the Agreement) effective January 1, 2018, for an initial term of five years. The terms of the Agreement provide for (1) a 38% license fee for NIPR's use of the NAIC's producer data; (2) the reimbursement of the actual cost of services, facilities and equipment provided to NIPR by the NAIC; and (3) a service fee for administrative and technical services provided by NAIC staff.

The total amount charged during the year and amounts owed at year-end are as follows:

	2021	2020
Administrative services provided by and paid to the NAIC	$ 2,398,922	$ 2,394,601
License fee paid to the NAIC	$ 23,429,146	$ 18,199,297
Amounts payable to the NAIC	$ 2,143,905	$ 1,866,981

Note 6. Defined Contribution Plan

NIPR has a defined contribution 401(k) plan (the Plan), which covers substantially all employees who have completed one year or more of service. Each year, the Board of Directors determines the contribution for the next year. In 2021 and 2020, NIPR matched up to 3.5% of contributions of those employees who contributed to the Plan and contributed 5.0% of all employees' annual compensation. Contribution expense was $733,200 and $634,020 for the years ended December 31, 2021 and 2020, respectively.

Note 7. Significant Estimates and Concentrations

U.S. GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Approximately 33% and 23% of all revenues for the years ended December 31, 2021 and 2020, respectively, were received from two business partners and one business partner, respectively.

Note 8. Subsequent Events

Management has performed an evaluation of events that have occurred subsequent to December 31, 2021, through March 10, 2022. There have been no events that occurred during such period that would require disclosure in these financial statements or would be required to be recognized in the financial statements as of or for the year ended December 31, 2021.