ARIAS U.S.

Financial Statements - Modified Cash Basis and Independent Auditor's Report

June 30, 2018 and 2017

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Independent Auditor's Report

Board of Directors
ARIAS U.S.

We have audited the accompanying financial statements of ARIAS U.S., which comprise the statements of assets, liabilities and net assets - modified cash basis as of June 30, 2018 and 2017, and the related statements of revenue and expenses - modified cash basis and cash flows - modified cash basis 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of ARIAS U.S. as of June 30, 2018 and 2017, and its revenue and expenses and its cash flows for the years then ended, in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

CohnReznick LLP

Hartford, Connecticut
October 17, 2018

ARIAS U.S.

Statements of Assets, Liabilities and Net Assets - Modified Cash Basis
June 30, 2018 and 2017

Assets

	2018	2017
Cash and cash equivalents	$ 929,731	$ 938,724
Prepaid conference expenses	5,000	10,000
Total	$ 934,731	$ 948,724

Liabilities and Net Assets

	2018	2017
Commitments (Note 3)		
Unrestricted net assets	$ 934,731	$ 948,724
Total	$ 934,731	$ 948,724

See Notes to Financial Statements.

ARIAS U.S.

Statements of Revenue and Expenses - Modified Cash Basis
Years Ended June 30, 2018 and 2017

	2018	2017
Revenue		
Conference fees	$ 658,149	$ 661,749
Training seminars and workshops	56,524	67,311
Membership fees	265,462	304,204
Total	980,135	1,033,264
Expenses		
Conferences	401,383	426,815
Training expenses	33,112	29,526
General and administrative	564,689	577,240
Total	999,184	1,033,581
Change in net assets before other income	(19,049)	(317)
Other income	5,056	2,123
Change in net assets	(13,993)	1,806
Net assets, beginning	948,724	946,918
Net assets, end	$ 934,731	$ 948,724

See Notes to Financial Statements.

ARIAS U.S.

Statements of Cash Flows - Modified Cash Basis
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ (13,993)	$ 1,806
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Prepaid conference expenses	5,000	10,000
Net cash (used in) provided by operating activities and net (decrease) increase in cash	(8,993)	11,806
Cash and cash equivalents, beginning	938,724	926,918
Cash and cash equivalents, end	$ 929,731	$ 938,724

See Notes to Financial Statements.

Note 1 - Organization and summary of significant accounting policies

Nature of activities

ARIAS U.S. (the "Organization") is a not-for-profit corporation that promotes improvement of the insurance and reinsurance arbitration process for the international and domestic markets. Founded in 1994, the Organization provides initial training and continuing in-depth conferences and workshops in the skills necessary to serve effectively on an insurance/reinsurance arbitration panel. In addition, the Organization certifies a pool of qualified arbitrators and serves as a resource for parties involved in a dispute to find the appropriate persons to resolve the matter in a professional, knowledgeable and cost-effective manner.

Basis of presentation

The accompanying financial statements have been prepared on a modified cash basis of accounting. The primary differences from financial statements prepared under accounting principles generally accepted in the United States of America arise from revenue being recognized when received and expenses recognized when paid except for certain conference expenses. Prepaid conference expenses are recognized as an expense when the event is held. Services performed, pursuant to an administrative agreement that ends on December 31, 2018, are recognized in accordance with the terms of the contract. Accordingly, the accompanying financial statements are not intended to be presented in conformity with accounting principles generally accepted in the United States of America.

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. Cash equivalents as of June 30, 2018 and 2017 were $497,688 and $549,433, respectively.

Income taxes

The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(6). However, certain operations of the Organization may qualify as unrelated business taxable income and to the extent that these operations generate income, they will be subject to federal and state taxes. The Organization had no unrelated business taxable income in 2018 or 2017 and does not expect any unrelated business taxable income in the near future.

The Organization has no unrecognized tax benefits at June 30, 2018 and 2017. The Organization's federal and state income tax returns prior to fiscal year 2015 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. If the Organization has unrelated business income taxes, the Organization will recognize interest and penalties associated with uncertain tax positions as part of the income tax provision.

Use of estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through October 17, 2018, which is the date the financial statements were available to be issued.

Note 2 - Concentrations

Credit risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization maintains its cash with high-credit quality financial institutions, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization does not believe it is exposed to any significant credit risk on cash and cash equivalents. At June 30, 2018 and 2017, the Organization had cash and cash equivalent balances that exceeded federally insured limits of approximately $82,000 and $77,000, respectively.

Note 3 - Commitments

The fall and spring conferences are held at various hotels throughout the United States and require the Organization to make commitments for meeting and hotel rooms in advance of the conferences. At June 30, 2018, commitments for meeting and hotel rooms for conferences to be held through 2019 are approximately $400,000.

The Organization has a management agreement (the "Agreement") with a third party to manage and operate the Organization. The Agreement is in effect through December 31, 2018, at which time the Agreement will automatically renew on an annual basis, unless the Agreement is terminated by either party. The Organization pays a monthly fee to the third party for the services provided. For the years ended June 30, 2018 and 2017, fees were $426,992 and $411,798, respectively.

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