RIVER FALLS MUTUAL INSURANCE COMPANY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended December 31, 2022 and 2021

RIVER FALLS MUTUAL INSURANCE COMPANY

ORGANIZATION

Date Organized	July 1, 1876
Under Laws of State of	Wisconsin
Fiscal Year-End	December 31
Annual Meeting Date	February 18, 2023
Number of Policyholders	887

OFFICERS, DIRECTORS, AND MANAGEMENT

Richard J. Ruemmele	Prescott, Wisconsin	President
Jeff Holst	Hager City, Wisconsin	Vice President
George Matzek	River Falls, Wisconsin	Secretary/Treasurer
Dan Puhrmann	Hager City, Wisconsin	Director
Dan Sitz	River Falls, Wisconsin	Director
Timothy Wells	Hammond, Wisconsin	Director
Timothy Wiff	Spring Valley, Wisconsin	Director

Jeffrey D. Dusek	River Falls, Wisconsin	Manager
Brent Olson	River Falls, Wisconsin	Assistant General Manager
Kelly Andrea	River Falls, Wisconsin	Office Manager

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

FINANCIAL STATEMENTS

Statements of Admitted Assets, Liabilities, and Policyholders' Surplus – Statutory Basis 4

Statements of Operations – Statutory Basis 5

Statements of Changes in Policyholders' Surplus – Statutory Basis 6

Statements of Cash Flows – Statutory Basis 7

Notes to the Statutory Basis Financial Statements 8

SUPPLEMENTARY INFORMATION

Schedules of Operating Expenses – Statutory Basis 25

QUALIFICATIONS LETTER OF INDEPENDENT ACCOUNTANT 26

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
River Falls Mutual Insurance Company
River Falls, Wisconsin

Opinion
We have audited the accompanying statutory financial statements of River Falls Mutual Insurance Company, which comprise the statutory statements of admitted assets, liabilities, and policyholders' surplus as of December 31, 2022 and 2021, and the related statutory statements of operations, changes in policyholders' surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of River Falls Mutual Insurance Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with the financial reporting provisions of the Office of the Commissioner of Insurance of the State of Wisconsin as described in Note 1.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 River Falls Mutual Insurance Company 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.

Basis of Accounting
We draw attention to Note 1 of the financial statements, which describes the basis of accounting and the purpose for which the financial statements are prepared. The financial statements are prepared in accordance with the financial reporting provisions of the Office of the Commissioner of Insurance of the State of Wisconsin, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of the Office of the Commissioner of Insurance of the State of Wisconsin, 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.

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 generally accepted auditing standards 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 generally accepted auditing standards, 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 River Falls Mutual Insurance Company'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 River Falls Mutual Insurance Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate to 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.

Restriction on Use
This report is intended solely for the information and use of the management of River Falls Mutual Insurance Company and the Office of the Commissioner of Insurance of the State of Wisconsin and is not intended to be and should not be used by anyone other than these specified parties.

Report on Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating expenses – statutory basis is presented for the purpose of additional analysis and is not a required part of the statutory basis 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 statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory 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 statutory financial statements as a whole.

Carlson SV LLP

Amery, Wisconsin
February 28, 2023

RIVER FALLS MUTUAL INSURANCE COMPANY
STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND POLICYHOLDERS' SURPLUS - STATUTORY BASIS
December 31, 2022 and 2021

ADMITTED ASSETS

	2022	2021
Cash and Invested Assets		
Cash and invested cash	$ 301,200	$ 409,686
Bonds	2,630,928	2,889,548
Stocks, mutual funds and exchange traded funds	955,959	1,285,029
Total Cash and Invested Assets	3,888,087	4,584,263
Uncollected premiums	10,657	2,284
Deferred premiums	197,798	188,927
Investment income due or accrued	27,227	17,736
Reinsurance recoverable on paid losses	36,051	20,093
Reinsurance commission receivable	-	9,767
Federal income tax recoverable	12,780	-
TOTAL ADMITTED ASSETS	**$ 4,172,600**	**$ 4,823,070**

LIABILITIES AND POLICYHOLDERS' SURPLUS

	2022	2021
LIABILITIES		
Net unpaid losses	$ 40,219	$ 134,152
Unpaid loss adjustment expenses	200	6,000
Commissions payable	4,059	8,531
Unearned premiums	655,184	615,403
Reinsurance payable	80,628	23,870
Federal income taxes payable	-	7,090
Fire department dues payable	934	617
Payroll taxes payable	2,444	1,563
Accounts payable	1,265	1,576
Accrued property taxes	32	34
Accrued wages and sick pay	-	242
Amounts withheld for account of others	7,594	4,474
Premiums received in advance	30,408	30,574
TOTAL LIABILITIES	822,967	834,126
POLICYHOLDERS' SURPLUS	3,349,633	3,988,944
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	**$ 4,172,600**	**$ 4,823,070**

(The accompanying notes are an integral part of these financial statements.)

RIVER FALLS MUTUAL INSURANCE COMPANY
STATEMENTS OF OPERATIONS - STATUTORY BASIS
For the Years Ended December 31, 2022 and 2021

	2022	2021
PREMIUMS EARNED		
Net premiums written	$1,478,240	$1,377,517
Net unearned premium change	(39,781)	(6,263)
Reinsurance ceded	(526,378)	(488,604)
Net Premiums Earned	912,081	882,650
LOSSES INCURRED		
Losses incurred	3,827,192	495,904
Reinsurance recovered	(2,962,207)	(111,228)
Net Losses Incurred	864,985	384,676
NET LOSS ADJUSTMENT EXPENSES INCURRED	106,347	94,366
OTHER UNDERWRITING EXPENSES INCURRED	326,800	289,928
TOTAL LOSSES AND EXPENSES INCURRED	1,298,132	768,970
Net Underwriting Gain (Loss)	(386,051)	113,680
INVESTMENT INCOME		
Net investment income earned	52,683	35,835
Net realized capital gain (loss)	(82,067)	57,371
Net Investment Gain (Loss)	(29,384)	93,206
OTHER INCOME		
Policy and installment fees	34,934	35,334
All other	5,260	5,080
Total Other Income	40,194	40,414
NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES	(375,241)	247,300
Federal income taxes incurred	3,420	16,190
NET INCOME (LOSS)	**$ (378,661)**	**$ 231,110**

(The accompanying notes are an integral part of these financial statements.)

RIVER FALLS MUTUAL INSURANCE COMPANY
STATEMENTS OF CHANGES IN POLICYHOLDERS' SURPLUS - STATUTORY BASIS
For the Years Ended December 31, 2022 and 2021

	2022	2021
POLICYHOLDERS' SURPLUS		
BEGINNING OF YEAR	$ 3,988,944	$3,780,418
GAINS AND LOSSES IN SURPLUS		
Net income (loss)	(378,661)	231,110
Net unrealized capital loss	(264,208)	(16,769)
Changes in non-admitted assets	3,558	(5,815)
NET CHANGES IN POLICYHOLDERS' SURPLUS	(639,311)	208,526
POLICYHOLDERS' SURPLUS		
END OF YEAR	**$ 3,349,633**	**$3,988,944**

(The accompanying notes are an integral part of these financial statements.)

RIVER FALLS MUTUAL INSURANCE COMPANY
STATEMENTS OF CASH FLOWS - STATUTORY BASIS
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Underwriting		
Net premiums collected	$ 991,593	$ 898,406
Net losses paid	(976,439)	(305,874)
Net loss adjustment expenses paid	(110,177)	(91,842)
Other underwriting expenses paid	(317,971)	(276,270)
Net Cash from Underwriting	(412,994)	224,420
Net Investment Income		
Investment income received	83,769	84,725
Investment expenses paid	(34,261)	(31,576)
Net Investment Receipts	49,508	53,149
Other Income	40,194	40,414
Federal Income Taxes Recovered (Paid)	(23,290)	(7,763)
Net Cash from Operations	(346,582)	310,220
Proceeds from Investments Disposed		
Bonds	1,619,411	2,213,975
Stocks, mutual funds and exchange traded funds	1,491,751	2,507,208
Total Investment Proceeds	3,111,162	4,721,183
Other Cash Provided		
Amounts withheld for account of others	3,120	31
Premiums received in advance	-	7,476
Total Cash Provided	2,767,700	5,038,910
Cost of Investments Acquired		
Bonds	1,473,576	2,339,024
Stocks, mutual funds and exchange traded funds	1,402,444	2,643,372
Total Investments Acquired	2,876,020	4,982,396
Other Cash Applied		
Purchase of intangible assets	-	9,120
Premiums received in advance	166	-
Total Other Cash Provided	166	9,120
Total Cash Applied	2,876,186	4,991,516
NET CHANGE IN CASH AND INVESTED CASH	**$ (108,486)**	**$ 47,394**
RECONCILIATION		
Cash and invested cash		
Beginning of year	$ 409,686	$ 362,292
End of year	301,200	409,686
NET CHANGE IN CASH AND INVESTED CASH	**$ (108,486)**	**$ 47,394**

(The accompanying notes are an integral part of these financial statements.)

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization
River Falls Mutual Insurance Company is a policyholder owned town mutual insurance company organized under Chapter 612 of the Statutes of the State of Wisconsin. The Company writes property and liability insurance for its policyholders in a ten contiguous county area in western Wisconsin on credit terms calling for payment of premium on the effective date of the policy or billing term. All policies written by the Company are assessable. The Company obtains its premium volume from policies written through independent insurance agents and the secretary of the Company. Due to the nature of the Company's business, premiums are written through agents, some of which account for a significant portion of annual premium volume. The Company is a member of the Policyholders' Mutual Insurance Company (a voluntary solvency fund for the Wisconsin town mutual industry) and, as such, is subject to assessments of up to 2% of annual gross written premium.

The significant accounting policies followed by the Company are summarized as follows:

Basis of Presentation
The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin (OCI). Prescribed statutory accounting practices include state insurance laws, regulations, and general administrative rules, as well as a variety of publications of the National Association of Insurance Commissioners (NAIC). Permitted statutory accounting practices encompass all accounting practices not so prescribed.

The OCI has adopted the NAIC's statutory accounting practices (NAIC SAP) as the basis of its statutory accounting practices for most insurers. However, as a town mutual insurer, the Company is required to follow statutory accounting practices as prescribed and permitted in the Town Mutual Annual Statement instructions. The effects of these different prescribed and permitted practices from NAIC SAP have not been determined.

Statutory accounting practices followed by town mutual insurers vary in some respects from U.S. generally accepted accounting principles (GAAP). Such differences include the following:

- Policy acquisition costs, such as commissions and other items, are charged to current operations as incurred. Commissions on reinsurance are credited to income in the year the premium is ceded. Under GAAP, commission expense is deferred and recognized as an expense over the periods covered by the policies, and commissions on reinsurance are deferred and recognized as income over the periods covered by the policies.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- Certain assets designated as 'non-admitted assets' (principally office furniture, computer software, and uncollected premium over 90 days old) are charged against surplus. Under GAAP, office furniture and computer software are recognized as assets net of accumulated depreciation and amortization, while uncollected premium would be recorded as an asset less an allowance for uncollectible amounts.
- Cash and invested cash as used in the statements of cash flows include instruments with initial maturities in excess of 90 days. Under GAAP, only those items with maturities of 90 days or less are considered invested cash.
- Investments in debt securities are generally carried at amortized cost. Under GAAP, the Company's debt securities would be classified as held-to-maturity, trading, or available-for-sale. For GAAP, debt securities classified as held-to-maturity would be carried at cost or amortized cost, and debt securities classified as trading or available-for-sale would be carried at fair value with the unrealized holding gains and losses reported in income for those securities classified as trading and as a separate component of surplus for those securities classified as available-for-sale.
- Investments in equity securities are generally carried at fair value with unrealized holding gains and losses reported as a direct charge or credit to surplus. However, the Company's investment in Wisconsin Reinsurance Corporation (WRC) common stock is based on the equity method, and the Company's investment in WRC preferred stock is carried at the lower of cost or fair value. Under GAAP, the Company's equity securities would be carried at fair value with the unrealized holding gains and losses reported in income.
- Assets and liabilities related to reinsurance ceded transactions are netted with the respective accounts rather than shown on a separate gross basis in the financial statements.
- Comprehensive income is not reflected in accordance with the requirements of GAAP. GAAP would require that comprehensive income be considered a separate component of surplus.
- No provision has been made for income taxes on unrealized gains and losses of securities carried at fair value. GAAP would require that a provision be established for income tax on unrealized gains and losses on equity securities.
- Deferred income taxes are not provided for differences between the financial statement and the tax bases of assets and liabilities. Deferred income taxes would be recognized for these differences under GAAP.
- Statutory financial statements are prepared in a form and using language and groupings substantially the same as the annual statement of the Company filed with the OCI, which differ from the presentation and disclosure of the financial statements presented under GAAP.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)
As a Wisconsin town mutual, the Company prepares their statutory financial statements using the following permitted statutory accounting practices, which differ from prescribed statutory accounting practices:

- The amount of common stock acquired from WRC as a result of the demutualization by that company is an admitted asset in its entirety, even though the value of this common stock exceeds the limitation of investments in common stock by a single issuer. As of December 31, 2022, this permitted statutory accounting practice increased surplus by $679,556 over what it would have been had prescribed accounting practices been followed**.**
- The Company has received permission to calculate its unearned premium reserve using a pro rata method, rather than the prescribed statutory percentages.
- Town mutual insurance companies that hold WRC common and/or preferred stock shall value this investment based on the most recent WRC audited financial statements. Accordingly, the valuations included in the Company’s December 31, 2022 and 2021 financial statements are based upon WRC’s financial statements as of December 31, 2021 and 2020, respectively.

The effects on the accompanying financial statements of these departures from generally accepted accounting principles have not been determined.

Use of Estimates
The preparation of financial statements in conformity with the statutory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of admitted assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Management's estimates and assumptions include, but are not limited to, estimates of unpaid losses and unpaid loss adjustment expenses. In estimating these liabilities, management uses the methodology discussed in the unpaid losses and loss adjustments expenses paragraph of this note. Because of inherent uncertainties in estimating these liabilities, it is at least reasonably possible that the estimates used will change within the near term.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

The Company's operating results and financial condition are affected by numerous factors and circumstances unique to the property/casualty insurance industry, some of which it can neither predict nor control. Among them are (1) statutorily imposed regulatory capital requirements can limit an insurer's ability to underwrite new business or retain otherwise desirable risks; (2) an insurer's ability to enter into suitable reinsurance agreements is subject to prevailing conditions in reinsurance markets; (3) competitive pressure on pricing, while generally cyclical, may be intense; (4) fluctuations in interest rates affect the value and income yield of an insurer's investment portfolio in the short-term and often affect default and prepayment rates over time; (5) inflationary pressures affect the magnitude of losses and loss adjustment expenses; (6) emerging legal precedents and trends may have a significant specific impact on settlement amounts and costs of defending claims; and (7) losses may not fully emerge for several years following the year in which an insured event occurred.

Concentration of Risk

The Company maintains its cash and invested cash in financial institutions which, at times, may exceed federally insured limits. Accounts are guaranteed up to specified limits. The Company has not experienced any losses in such accounts.

All policies written by the Company are for risks located in a ten-county area, and represent a concentration of risk for the effects of inclement weather conditions on its insureds.

Cash and Invested Cash

For purposes of reporting cash flows, the Company follows statutory accounting practices and considers all cash on hand, cash in checking, and cash deposited at interest to be cash and invested cash. Cash and invested cash is carried at cost, which approximates fair value.

Investments

Investments in bonds which have a 1 or 2 designation by the national association of insurance commissioners, or equivalent ratings by a NRSRO, are reported at amortized cost; all other bonds are reported at the lower of amortized cost or fair value. Investments in stock, mutual funds, and exchange traded funds, except as noted in the basis of presentation above, are reported at fair value. Changes in fair value are recorded as unrealized gains or losses, and are recorded as a direct credit or charge to surplus. Realized gains and losses on sales of investments are recognized on the specific identification basis. Investment in real estate is reported at cost less accumulation depreciation and impairment of value.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)
Investment securities are exposed to various risks related to interest rate fluctuations, financial market variability, and credit risks of investment security issuers. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, changes in risks in the near term could affect the amounts reported in the statutory basis financial statements.

Declines in fair value which are determined to be other than temporary are recorded as realized losses. The Company determines a decline to be other than temporary by reviewing all investments and evaluating various subjective and objective factors. These factors include the financial condition of the issuer, the market, the length of time the security has been in a loss position, and the severity of that loss.

Fair Value
Certain invested assets included in the statutory financial statements are recorded at fair value. The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, other than in a forced or liquidation sale.

Property and Equipment
Real estate occupied by the Company is recorded as an admitted asset at cost less accumulated depreciation and is presented as an investment. Electronic data processing equipment is recorded as an admitted asset at cost less accumulated depreciation.

Computer software, office furniture and equipment, and intangible assets are considered non-admitted assets for statutory financial statement reporting purposes. Depreciation and amortization is calculated on these assets and charged to expense. The net change in book value (cost less depreciation/amortization) is charged or credited directly to surplus.

Depreciation and amortization is calculated by applying the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 10 years.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Unpaid Losses and Unpaid Loss Adjustment Expenses
The liability for net unpaid losses and unpaid loss adjustment expenses includes amounts determined from individual reported losses and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes that the present estimation techniques, which utilize development patterns from certain industry historical data, produce estimates of losses and loss adjustment expenses which are reasonable in the circumstances, the ultimate liability may differ from the estimated amounts included in the financial statements. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in earnings currently. The liability for unpaid losses and loss adjustment expenses is reported net of reinsurance.

Recognition of Premium Revenues
Property and liability premiums are generally recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future is deferred and reported as unearned premiums. Cash received for premiums billed in advance is recorded as premiums received in advance.

Reinsurance
The Company seeks to reduce the loss that may arise from large risks or risks in concentrated areas of exposure by reinsuring with other companies. Reinsurance premiums, commissions, and loss and loss adjusting expense recoveries are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums ceded to the reinsurer have been reported as a reduction of premium income. Amounts applicable to reinsurance ceded for unearned premium reserves and loss and loss adjustment expense reserves have been reported as reductions of these items. Commissions related to ceded premiums have been netted with direct commission expense which is included in other underwriting expenses.

Advertising
The Company expenses advertising costs as they are incurred.

Income Taxes
A provision is made for federal income taxes without adjustments for deferred income taxes. Interest expense and penalties, if any, are recognized as income tax expense. As a town mutual insurance company, the Company is not subject to Wisconsin income taxes.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events Consideration

Management has evaluated subsequent events through February 28, 2023, the date on which the financial statements were available to be issued. Management has determined that there were no material events that would require recognition or disclosure in the Company's financial statements through this date.

NOTE 2 – INVESTMENTS

The aggregate statement value or cost, gross unrealized gains, gross unrealized losses and fair values for investments at December 31 are as follows:

	2022			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds				
Government obligations	$ 81,414	$ 38	$ 7,211	$ 74,241
Corporate obligations	2,549,514	10,764	85,027	2,475,251
TOTAL BONDS	**$ 2,630,928**	**$ 10,802**	**$ 92,238**	**$ 2,549,492**
	Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value or Carrying Value**
Stock, mutual fund and ETF investments				
Common stock	$ 187,717	$ 628,449	$ -	$ 816,166
Mutual funds	7,873	-	-	7,873
Exchange traded funds	149,408	-	17,488	131,920
TOTAL STOCK, MUTUAL FUND AND ETF INVESTMENTS	**$ 344,998**	**$ 628,449**	**$ 17,488**	**$ 955,959**

NOTE 2 – INVESTMENTS (Continued)

	2021			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds				
Government obligations	$ 797,567	$ 5,635	$ 1,839	$ 801,363
Corporate obligations	2,091,981	51,613	3,911	2,139,683
TOTAL BONDS	**$2,889,548**	**$ 57,248**	**$ 5,750**	**$2,941,046**

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value or Carrying Value
Stock, mutual fund and ETF investments				
Common stock	$ 187,717	$ 833,539	$ -	$1,021,256
Mutual funds	97,180	-	-	97,180
Exchange traded funds	149,408	17,185	-	166,593
TOTAL STOCK, MUTUAL FUND AND ETF INVESTMENTS	**$ 434,305**	**$ 850,724**	**$ -**	**$1,285,029**

Included in the fair values at December 31, 2022 and 2021 is an investment in common stock in WRC totaling $804,734 and $1,010,823, respectively. These investments are not readily marketable, but would be available in the event of liquidation of the Company.

The carrying value and fair value of bonds at December 31, 2022, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Carrying Value	Fair Value
Due within one year	$ 256,166	$ 251,052
Due after one year through five years	1,646,858	1,600,830
Due after five years through ten years	525,493	509,362
Due after ten years	202,411	188,248
TOTAL	**$ 2,630,928**	**$ 2,549,492**

NOTE 2 – INVESTMENTS (Continued)

A summary of investments that have been in a continuous unrealized loss position for less than twelve months and those that have been in a continuous unrealized loss position for twelve months or longer at December 31 are as follows:

	2022					
	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Government obligations	$ 73,728	$ 5,961	$ 475	$ 1,250	$ 74,203	$ 7,211
Corporate obligations	1,462,333	84,244	641,543	26,274	2,103,876	110,518
Exchange traded funds	131,920	17,488	-	-	131,920	17,488
TOTAL	**$1,667,981**	**$ 107,693**	**$ 642,018**	**$ 27,524**	**$2,309,999**	**$ 135,217**

	2021					
	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Government obligations	$ 53,900	$ 645	$ 1,496	$ 1,194	$ 55,396	$ 1,839
Corporate obligations	557,515	3,054	104,351	1,903	661,866	4,957
TOTAL	**$ 611,415**	**$ 3,699**	**$ 105,847**	**$ 3,097**	**$ 717,262**	**$ 6,796**

The Company does not consider these securities to be other than temporarily impaired because management believes the Company carries high-quality securities and the Company has the intent and ability to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.

Proceeds from the sales of investment in bonds were $1,619,411 and $2,213,975 in 2022 and 2021, respectively. Gross gains of $2,430 and $62,719 and gross losses of $84,497 and $5,348 were realized on those bond sales in 2022 and 2021, respectively.

Proceeds from the sales of investment in stocks, mutual funds, and exchange traded funds were $1,491,751 and $2,507,208 in 2022 and 2021, respectively. Gross gains of $0 and $0 and gross losses of $0 and $0 were realized on those stock, mutual fund, and exchange traded fund sales in 2022 and 2021, respectively.

NOTE 2 – INVESTMENTS (Continued)

Major categories of investment income are summarized as follows for the years ended December 31:

	2022	2021
Cash deposited at interest	$ 685	$ 2,476
Bonds	83,829	61,407
Stocks, mutual funds and exchange traded funds	2,473	3,668
TOTAL	**$ 86,987**	**$ 67,551**

NOTE 3 – REAL ESTATE, FURNITURE AND FIXTURES, ELECTRONIC DATA PROCESSING EQUIPMENT, SOFTWARE, AND INTANGIBLE ASSETS

Real estate, furniture and fixtures, electronic data processing equipment, software, and intangible assets are recorded at cost and presented in the accompanying statements of admitted assets, liabilities, and policyholders' surplus – statutory basis, net of accumulated depreciation and amortization as of December 31 as follows:

	Cost	Accumulated Depreciation	Book Value December 31
2022			
Real estate	$ 19,629	$ 19,629	$ -
Electronic data processing equipment	9,141	9,141	-
Furniture and fixtures	8,470	8,470	-
Software	9,292	9,292	-
Intangible assets	9,600	2,400	7,200
2021			
Real estate	$ 19,629	$ 18,208	$ 1,421
Electronic data processing equipment	9,141	9,141	-
Furniture and fixtures	8,470	8,470	-
Software	9,292	9,292	-
Intangible assets	9,600	480	9,120

Depreciation and amortization expense was $3,341 and $5,094 for 2022 and 2021, respectively.

NOTE 4 – REINSURANCE ACTIVITY

The Company has the following reinsurance contracts in force as of December 31, 2022:

Property Coverage
First Surplus – Pro rata coverage from $700,000 to $2,000,000 per risk.

Excess of Loss – Excess of loss coverage from $75,000 to $700,000 per risk.

Non-Property Coverage
Excess of loss on policy limits up to and including $1,000,000 per occurrence, subject to net retention of $10,000 with respect to each and every loss occurrence.

Aggregate Stop Loss Coverage
Aggregate Stop Loss – Retention of 75% of net subject premium written. Retention was $856,547 and $802,853 for 2022 and 2021, respectively.

The liabilities for unpaid losses and unearned premium are determined after deducting the appropriate share of reinsurance ceded. A contingent liability exists with respect to reinsurance ceded for amounts deducted from unpaid losses and unearned premium which would become a liability of the Company in the event that the reinsurer would be unable to meet its obligations under such reinsurance arrangements. The Company has a concentration of credit risk regarding reinsurance agreements, in that all contracts are with one reinsurance company.

At December 31, 2022 and 2021, the Company had unsecured aggregate recoverables for losses, loss adjustment expenses, unearned premiums, premiums, and commissions of $2,059,244 and $203,384, respectively, from WRC, which represents 61 percent and 5 percent of the Company's surplus. The Company received surplus aid from reinsurance of $28,941 and $26,371, respectively, as of December 31, 2022 and 2021, computed as the maximum return commission which would be due to the reinsurer if all reinsurance was cancelled at year-end.

NOTE 5 – LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

	2022	2021
Balance at January 1	$ 181,823	$ 68,101
Reinsurance recoverables	(41,671)	(8,029)
Net balance at January 1	140,152	60,072
Incurred related to		
Current year	958,822	449,534
Prior years	12,510	29,508
Total incurred	971,332	479,042
Paid related to		
Current year	958,822	334,410
Prior years	112,243	64,552
Total paid	1,071,065	398,962
Net balance at December 31	40,419	140,152
Reinsurance recoverables	1,878,489	41,671
BALANCE AT DECEMBER 31	**$ 1,918,908**	**$ 181,823**

As a result of changes in estimates of insured events in prior years, the provision for loss and loss adjustment expenses increased by $12,510 and $29,508 in 2022 and 2021, respectively.

NOTE 6 – PENSION PLAN

The Company has a Simple IRA plan that covers all employees employed in the prior year who are expected to earn at least $5,000 in the current year. Employees may elect to defer a percentage of their wages into the plan. The Company contributes 2% of the employees' wages to the plan. For the years ended December 31, 2022 and 2021, the Company's expense was $4,953 and $3,873, respectively.

NOTE 7 – INCOME TAXES

The Company is taxed as an insurance company under Section 831 of the Internal Revenue Code, which permits property and casualty insurance companies with direct written premiums less than $2,200,000 to elect to be taxed solely on investment income in lieu of being taxed on underwriting and investment income. The Company has elected to be taxed solely on investment income.

The provision for federal income taxes does not bear the usual relationship to pretax income as the result of differences between financial statement and taxable income. A reconciliation of the Company's financial statement net income and the Company's taxable income is as follows:

	2022	2021
Net income (loss) before income taxes	$ (375,241)	$ 247,300
Differences		
Investment expense limitations	5,999	2,311
Net capital loss carryover	82,067	(16,181)
Dividends received deduction	-	(1,035)
Election not to tax underwriting income	345,857	(154,094)
Non-taxable bonds	(1,204)	(1,204)
TAXABLE INCOME	**$ 57,478**	**$ 77,097**

The marginal tax rate at the Company's taxable income level was 21% for 2022 and 2021.

The Company's tax returns are subject to possible examination by taxing authorities. With few exceptions, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns. The Company is exempt from state income tax.

As of December 31, 2022, the Company has unused net capital losses available to be carried forward to offset future capital gains of $40,877 expiring in 2027.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Company subleases office space to the Dusek Agency, a related party. Rent is determined based on annual commissions of the Dusek Agency. Rent income earned by the Company for the years ended December 31, 2022 and 2021 amounted to $5,330 and $5,100, respectively.

NOTE 9 – CONTINGENCIES

The Company is a member of a policyholder protection fund administered by the Policyholders' Mutual Insurance Company. This solvency fund is in place to protect policyholders in the event a town mutual may not have enough assets to pay all claims upon liquidation. The Company is contingently liable for an assessment of up to 2% of the Company's prior year gross premium written.

In the normal course of its business, the Company is occasionally involved in litigation with claimants, beneficiaries, and others. In the opinion of management, the ultimate liability for such additional litigation, if any, would not have a material adverse financial impact upon the Company.

NOTE 10 – RENTAL ACTIVITIES

The Company rents office building space under a non-cancelable lease agreement. At December 31, 2022, the future minimum non-cancelable lease payments on the office building lease are as follows: 2023 - $23,061; 2024 - $23,982; 2025 - $24,939; 2026 - $25,932; and 2027 - $10,980. The Company had rental expenses of $22,006 and $21,139 for the years ended December 31, 2022 and 2021, respectively.

NOTE 11 – FAIR VALUE MEASUREMENT

Certain assets and liabilities of the Company are reported at their fair value in the financial statements. The fair values of the Company's other financial instruments approximate their carrying amounts, either because the expected collection or payment period is relatively short or because the terms are similar to market terms.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value using methods, models and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment which becomes significant with increasingly complex instruments or pricing models.

NOTE 11 – FAIR VALUE MEASUREMENT (Continued)

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by Statement of Statutory Accounting Principle No. 100, Fair Value Measurements. Level 1 inputs on the hierarchy consist of unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date. Level 2 inputs on the hierarchy consist of quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Level 3 inputs on the hierarchy consist of unobservable inputs (supported by little or no market activity) and reflect the Company’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The financial instruments measured at fair value as of December 31 are as follows:

	Fair Value Measurements at December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Bonds	$ -	$ 137,494	$ -	$ 137,494
Common stock	-	-	816,166	816,166
Mutual funds	7,873	-	-	7,873
Exchange traded funds	131,920	-	-	131,920
Total	**$ 139,793**	**$ 137,494**	**$ 816,166**	**$ 1,093,453**

	Fair Value Measurements at December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Bonds	$ -	$ 52,645	$ -	$ 52,645
Common stock	-	-	1,021,256	$ 1,021,256
Mutual funds	97,180	-	-	97,180
Exchange traded funds	166,593	-	-	166,593
Total	**$ 263,773**	**$ 52,645**	**$ 1,021,256**	**$ 1,337,674**

NOTE 11 – FAIR VALUE MEASUREMENT (Continued)

The following tables provide information about the fair value measurements for financial instruments:

	Fair Value Measurements for Financial Instruments at December 31, 2022					
	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable to Estimate Fair Value (Carrying Value)
Bonds	$ 2,549,492	$ 2,630,928	$ -	$ 2,549,492	$ -	$ -
Common stock	816,166	816,166	-	-	816,166	-
Mutual funds	7,873	7,873	7,873	-	-	-
Exchange traded funds	131,920	131,920	131,920	-	-	-
Cash and invested cash	301,200	301,200	301,200	-	-	-
TOTAL	**$ 3,806,651**	**$ 3,888,087**	**$ 440,993**	**$ 2,549,492**	**$ 816,166**	**$ -**

	Fair Value Measurements for Financial Instruments at December 31, 2021					
	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable to Estimate Fair Value (Carrying Value)
Bonds	$ 2,941,046	$ 2,889,548	$ -	$ 2,941,046	$ -	$ -
Common stock	1,021,256	1,021,256	-	-	1,021,256	-
Mutual funds	97,180	97,180	97,180	-	-	-
Exchange traded funds	166,593	166,593	166,593	-	-	-
Cash and invested cash	409,686	409,686	409,686	-	-	-
TOTAL	**$ 4,635,761**	**$ 4,584,263**	**$ 673,459**	**$ 2,941,046**	**$ 1,021,256**	**$ -**

NOTE 11 – FAIR VALUE MEASUREMENT (Continued)

Common stock securities in Level 3 consist of the Company's investment in WRC and Namico Insurance Company. The fair value of WRC common stock is determined based on the most recent audited financial statements of WRC as described in Note 1. The fair value of Namico Insurance Company stock is determined from information provided by the NAIC Securities Valuation Office.

There were no realized gains or losses recognized in the statements of operations – statutory basis on Level 3 stock for the years ended December 31, 2022 and 2021. Unrealized gains totaling $999 and $991 for the years ended December 31, 2022 and 2021, respectively, are included as an adjustment to policyholders' surplus. Unrealized losses totaling $206,089 and $47,858 for the years ended December 31, 2022 and 2021, respectively, are included as an adjustment to policyholders' surplus. There were no acquisitions or sales of the Level 3 stock during the years ended December 31, 2022 and 2021.

There were no changes in the valuation techniques during the years ended December 31, 2022 and 2021. The Company's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers in and/or out of the various levels of inputs within the fair value hierarchy for the years ended December 31, 2022 and 2021.

SUPPLEMENTARY INFORMATION

RIVER FALLS MUTUAL INSURANCE COMPANY
SCHEDULES OF OPERATING EXPENSES - STATUTORY BASIS
For the Years Ended December 31, 2022 and 2021

	2022	2021
Loss adjustment expense	$ (543)	$ 31,086
Commissions paid	59,436	62,646
Commissions received	(53,240)	(58,960)
Directors' fees	15,888	10,387
Directors' meeting expenses	3,488	1,275
Director and officer insurance	13,071	12,760
Salaries and wages	229,269	181,509
Employee fringe benefits	5,422	5,832
Payroll taxes	19,420	16,121
Retirement plans	4,953	3,873
Rental of office space	22,006	21,139
Property taxes	32	34
Depreciation on real estate	1,421	2,839
Telephone	5,514	3,210
Advertising	15,162	7,134
Office maintenance and supplies	22,878	15,082
Depreciation on furniture and fixtures	-	513
Depreciation on EDP equipment and software	-	1,262
Computer software	10,634	12,116
Loss prevention and inspection	6,808	8,117
Trade association dues	14,679	14,543
Legal and accounting	20,661	18,262
Fire department dues	12,434	11,417
Investment expense	18,177	18,776
Insurance expense	3,517	2,002
Annual meeting expense	4,709	2,895
Amortization expense	1,920	480
All other	9,735	9,660
TOTAL OPERATING EXPENSES	**$ 467,451**	**$ 416,010**
ALLOCATED IN THE STATEMENTS OF OPERATIONS TO:		
Net loss adjustment expenses	$ 106,347	$ 94,366
Other underwriting expenses	326,800	289,928
Investment expenses	34,304	31,716
TOTAL	**$ 467,451**	**$ 416,010**

QUALIFICATIONS LETTER OF INDEPENDENT ACCOUNTANT

To the Board of Directors and Management
River Falls Mutual Insurance Company
218 North Main Street
River Falls, WI 54022

In accordance with Section 50.13 of the Wisconsin Administrative Code, we provide you with the following information:

1. We are independent with respect to River Falls Mutual Insurance Company and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants and the Rules of Professional Conduct of the Wisconsin Accounting Examining Board.

2. The personnel assigned to the audit of the financial statements of your Company have the competence, as required by the Code of Professional Conduct of the American Institute of Certified Public Accountants, to perform such an audit. The engagement partner, a certified public accountant, has over ten years experience in public accounting and is experienced in auditing insurance entities. Members of the engagement team have had experience in auditing insurance entities and were assigned to perform tasks commensurate with their training and experience.

3. We understand that the audited financial statements will be filed with the Office of the Commissioner of Insurance of the State of Wisconsin in compliance with Subchapter I, of Chapter Ins. 50 and that the Commissioner will be relying on this information in the monitoring and regulation of your financial position.

   While we understand that an objective of issuing a report on the statutory financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, the Company and the Insurance Commissioner should understand that the objectives of an audit of statutory financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion and issue a report on whether the statutory financial statements present fairly, in all material respects, the admitted assets, liabilities, and policyholders' surplus, results of operations, and cash flows in conformity with accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin. Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements.

3. (Continued)
   Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatement resulting from fraud. Because of the characteristics of fraud, particularly those involving concealment and falsified documentation (including forgery), a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material errors or misstatements caused by fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by the Office of the Commissioner of Insurance of the State of Wisconsin.

   It is the responsibility of the management of the Company to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain internal control that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin.

   The Office of the Commissioner of Insurance of the State of Wisconsin should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the statutory financial position of insurers and should not rely solely upon the independent auditor's report.

4. We consent to the requirements of Ins. 50.14 and agree to make our workpapers available for review by the Office of the Commissioner of Insurance of the State of Wisconsin.

5. We are a Certified Public Accounting firm, properly licensed by the Wisconsin Department of Regulation and Licensing, and are members in good standing of the American Institute of Certified Public Accountants.

6. We are an independent public accounting firm and there are no grounds for disqualification of our firm under Ins. 50.08.

This letter is furnished solely for you to comply with the requirements of the Wisconsin Administrative Code and should be used for no other purpose.

CarlsonSV LLP

CarlsonSV LLP
February 28, 2023