CONNECTICUT FOUNDATION SOLUTIONS INDEMNITY COMPANY, INC. AND PROTECTED CELL

FINANCIAL STATEMENTS AND REPORTS REQUIRED FOR AUDITS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND THE STATE OF CONNECTICUT SINGLE AUDIT ACT

June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Connecticut Foundation Solutions Indemnity Company, Inc.

Qualified Opinion

We have audited the financial statements of Connecticut Foundation Solutions Indemnity Company, Inc. (the "Company"), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Connecticut Foundation Solutions Indemnity Company, Inc.'s basic financial statements listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Connecticut Foundation Solutions Indemnity Company, Inc. as of June 30, 2025 and 2024, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As discussed in Note 2, as of June 30, 2025 and 2024, the Company received a permitted accounting practice from the Connecticut Insurance Department to record an unfunded liability for unpaid losses and loss adjustment expenses totaling $28,397,486 and $30,371,620, respectively, for an insurance contract that does not transfer insurance risk, which is not in accordance with accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the United States of America, the unfunded liability for unpaid losses and loss adjustment expenses would not be recorded. Had the permitted accounting practice not been recorded, total noncurrent liabilities would decrease by $28,397,486 and $30,371,620 and net position would increase by $28,397,486 and $30,371,620, respectively.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 Connecticut Foundation Solutions Indemnity Company, Inc. 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 qualified audit opinion.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company lacks sufficient funds to meet the needs of its claimants and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

(Continued)

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 Connecticut Foundation Solutions Indemnity Company, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 and *Government 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 GAAS and *Government 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 Connecticut Foundation Solutions Indemnity Company, Inc.'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 Connecticut Foundation Solutions Indemnity Company, Inc.'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.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4-12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Connecticut Foundation Solutions Indemnity Company, Inc.'s basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2025 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Connecticut Foundation Solutions Indemnity Company, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Connecticut Foundation Solutions Indemnity Company, Inc.'s internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

West Hartford, Connecticut
November 24, 2025

The following is management's discussion and analysis of Connecticut Foundation Solutions Indemnity Company, Inc.'s ("CFSIC" or the "Company") operations and financial performance. Management's discussion and analysis, inclusive of all financial schedules, provides an overview of the Company's financial activities as of and for the years ended June 30, 2025, 2024 and 2023. It should be read in conjunction with the financial statements, which begin on page 13.

Background

CFSIC commenced operations on August 6, 2018. It was organized pursuant to Public Act No. 17-2 signed into law by Governor Dannel Malloy on October 31, 2017.

Residential dwelling owners in the northeast section of Connecticut have reported significant structural problems with residential concrete foundations. The Company's data, as of June 30, 2025, indicates that approximately 62 towns in the northeast section of Connecticut and elsewhere in Connecticut may be affected. Investigators have concluded that the deterioration of these residential concrete foundations has been caused by the presence of reactive pyrrhotite in the concrete mixture used to pour the foundations. Pyrrhotite is a naturally existing mineral in stone aggregate, which is used to produce concrete. Reactive pyrrhotite oxidizes in the presence of water and oxygen, leading to the formation of expansive mineral products, thereby causing concrete to deteriorate prematurely by way of cracking, peeling, crumbling, and buckling.

Anecdotal reports that are not verified by current facts cite the existence of as many as 30,000 homes in the northeast section of Connecticut, which may be affected. The Company's collective data as of June 30, 2025 points to a significant crisis, but one affecting at most probably between 3,500 and 4,000 residential dwellings.

While the presence of reactive pyrrhotite indicates the potential for concrete deterioration, its existence in the aggregate alone does not necessarily cause such deterioration. No conclusive scientific evidence exists as to the precise amount of measurable reactive pyrrhotite in the aggregate that will, with a high degree of actuarial confidence level certainty, cause such impairment to occur in a foundation with sufficient statistical frequency as to be valid with respect to CFSIC's underwriting model.

As a residential dwelling begins to show quantifiable signs of pyrrhotite-infected deterioration, it often becomes unsound from a structural perspective, eventually rendering the dwelling uninhabitable and likely to result in structural failure.

Such damage is irreversible. It cannot be remedied or repaired on a temporary basis. The only effective remediation is to replace the existing foundation with a new one that does not contain reactive pyrrhotite. Foundation remediation costs differ based on multiple factors, including the particular construction modality employed. As of June 30, 2025, 2024 and 2023, the average cost of remediating an impaired foundation by CFSIC was $138,742, $137,012, and $154,876, respectively, based on the Company's allowable remediation cost parameters.

(Continued)

With a number of limited exceptions, the general position of the property and casualty insurance marketplace issuing homeowner insurance policies covering residential dwellings in Connecticut has been that the claims filed with these underwriters, where visible indications of concrete foundation deterioration, verified through a visual examination conducted by an appropriately licensed or certified professional, and where subsequent petrographic and/or other analyses indicate the presence of measurable levels of reactive pyrrhotite, have resulted in claim denials by these carriers, which have asserted that claims involving such impairment do not reflect a claim coverable under the peril of collapse as defined in a homeowner's insurance policy. Secondly, underwriters have asserted that their policies do not respond by way of any coverage grant to a claim where the allegation is directly or indirectly related to the composition of the aggregate contained in concrete, which these carriers have asserted is a product liability consideration and thus not a covered property peril.

As a result of the commercial insurance industry's refusal to provide consistent coverage for such claims, Public Act No. 17-2 was created in order to provide assistance with the remediation of foundations affected by the quantifiable and measurable existence of pyrrhotite, through the creation of a captive insurance company, in order to assure that a verifiably affected residential building could be returned to habitable use.

In November 2019, the Connecticut Supreme Court upheld the position referenced above in favor of the property and casualty insurance industry as a result of litigation entered into among certain homeowners with affected foundations and their respective property insurers.

Mission and Tax-Exempt Purpose

CFSIC has been chartered and licensed as a Sponsored Captive Insurance Company under Connecticut law. It has been formed to assist the State of Connecticut with the fair and equitable adjustment of homeowner claims resulting from the pyrrhotite-affected home foundations natural disaster.

CFSIC's mission is to use its available resources to adjust and pay claims for the rebuilding of as many pyrrhotite-affected home foundations as those resources will permit. Using objective and recognized property claim adjustment standards, and acting at all times with fairness and compassion, CFSIC is committed to the equitable treatment of homeowners suffering from this natural disaster.

CFSIC has been incorporated as a tax-exempt corporation under the laws of the State of Connecticut. CFSIC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Its Sponsor is the Crumbling Foundations Assistance Trust.

CFSIC's management is committed to a high degree of conformance concerning claimant privacy. Only persons in management with a need to know may view the personal financial and related information in any claimant's application for assistance. CFSIC has been required to provide limited amounts of claimant data to the Connecticut Office of Policy and Management in the furtherance of the development of a statistical database highlighting concrete foundation impairment and structural failure.

Commencement of Activities

CFSIC was incorporated on June 26, 2018. The Company received Connecticut captive insurance company license number 29 on August 8, 2018 and it received an initial $850,000 in funding from the Connecticut Department of Housing by way of a partial payment of CFSIC's first $20,000,000 in pledged allotted funding on August 6, 2018. The Company commenced underwriting operations on January 10, 2019.

Underwriting and Claims Management Activities

CFSIC's Underwriting and Claims Management Guidelines and its Operations Manual permit two types of claim activity.

A "Type 1" claim is a claim requesting assistance with the replacement of a foundation verifiably determined to be impaired through evidence of the presence of reactive pyrrhotite in the original aggregate used in the concrete composing that foundation, and where the owner of the qualifying residential dwelling has made, through the completion of an application and the provision of accompanying points of evidence, a valid claim for payment of enumerated allowable costs.

There are three classes of severity code employed to reflect the degree of measurable foundation impairment. These class codes provide a basic prioritization for the use of funds, beginning with Severity Class Code 3, which is a code reflective of a severely impacted foundation.

A "Type 2" claim is a claim requesting assistance with reimbursement by CFSIC to the owner (or in some cases former owner) of a qualifying residential dwelling for the replacement of a foundation verifiably determined to have been impaired through evidence of the presence of reactive pyrrhotite in the original aggregate used in the concrete composing that foundation, but where that homeowner used personal resources to originally repair or replace such impaired foundation prior to making application to CFSIC; and where the homeowner has subsequently made, through the completion of an application and the provision of accompanying points of evidence, a valid claim for reimbursement of enumerated allowable costs.

CFSIC has three claimant classifications: Active, Inactive, and Pending. The Active and Inactive claimant designations have been part of CFSIC's underwriting protocols since inception. On January 13, 2020, CFSIC's Board of Directors approved a request by the Superintendent to establish a third class of claimant, the Pending claimant, as described and defined below.

An Active claimant (whether a Type 1 or Type 2 claimant) is considered Active if the claimant has submitted a completed application and all points of relevant evidence. A claimant is considered Inactive (whether a Type 1 or Type 2 claimant) if, for any reason, the claimant's application is incomplete in some regard or if the claimant in question is currently litigating with his or her homeowner's insurer regarding a crumbling foundation matter. A Pending claimant is a claimant who has been permitted to register a Type 1 or Type 2 claim with CFSIC with the clear understanding that CFSIC may not ultimately receive sufficient funding to address all Pending claimants.

With respect to the taking of applications for claims, CFSIC did in the early years of its operations suspend the taking of new applications periodically because of funding uncertainties, by making this known to the public through its website. That has ceased. From time to time, CFSIC suspends the issuance of Participation Agreements while we await our flow of funds. For example, on August 31, 2021, the Company received the fifth and final $20 million installment of its original bond funding allotment from the State of Connecticut. As a result of receiving this funding, the Company once again started to enter into Participation Agreements with claimants.

The management of the Company monitors cash disbursements paid and committed, through the entering into of Participation Agreements, on behalf of approved foundation indemnification and reimbursements, with the objective of making certain that the total of all foundation indemnification and reimbursements committed do not exceed available cash on hand, inclusive of sufficient margin to maintain a combination of operations and required share capital.

CFSIC's Sunset Date and Additional Funding

Under Public Act No. 17-2, CFSIC was scheduled to "sunset" on June 30, 2022. On July 6, 2021 Public Act 21-120 was signed by the Governor of Connecticut, which eliminated the termination date of CFSIC established pursuant to section 38a-91vv of the Connecticut general statutes. In addition, CFSIC was made a commitment as part of the Connecticut Bond Commission's budget to receive $100 million in additional General Obligation Bond funding (Public Act No. 21-111) in four annual installments of $25 million each beginning on July 1, 2022. On June 4, 2025, House Bill 7822 modified CFSIC's eventual flow of funds to provide an additional $100 million in General Obligation Bond funding in four annual installments of $25 million beginning in the fiscal year commencing July 1, 2026 and ending in the fiscal year concluding on June 30, 2030.

Deposit Accounting

The Company has utilized a deposit accounting methodology.

Deposit accounting is utilized when no applicable "insurance risk" exists. The Company does not accept insurance risk in the traditional meaning of that term, as no premium pursuant to the acceptance of a risk is received by the Company, which would normally contain underwriting or timing risk, and in turn no contract of insurance is issued by the Company to any claimant.

Deposit accounting, as a methodology, focuses primarily on the statements of net position. Under deposit accounting treatment, a deposit liability represents the accrual for loss and loss adjustment expenses to be paid under the terms of some form of agreement or contract or refunded to depositor if funds are unused. In the case of CFSIC, the governing document by which CFSIC's funds are disbursed is the Participation Agreement, which is entered into between a Type 1 or Type 2 residential dwelling owner (or his or her representative) and the Company. Any unused funds remaining at the end of CFSIC's useful life not otherwise allocated to claims and associated claim and management expenses will be refunded to the state of Connecticut.

Overview of the Financial Statements

This annual financial report consists of Management's Discussion and Analysis and Basic Financial Statements. Basic Financial Statements consist of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements. CFSIC is subject to the accounting standards enacted by the Governmental Accounting Standards Board.

The Statements of Net Position provides an indication of CFSIC's financial status as of June 30, 2025, 2024 and 2023. The Statements of Revenues, Expenses and Changes in Net Position report all of the revenues and expenses during the reporting period using the accrual basis of accounting. The Statements of Cash Flows report the cash provided from and used by operating activities and is presented using the direct method of reporting. Additionally, a reconciliation of the change in net position to net cash provided by operating activities is provided on an indirect basis. Notes to the Financials Statements provide additional information and schedules that are essential to an understanding of the information provided in the financial statements, including the Company's use of deposit accounting as discussed further within Notes 2 and 4.

(Continued)

CFSIC has received payments from the State of Connecticut by way of revenue bond allotments and the receipts of Healthy Homes surcharges. From inception through June 30, 2025, CFSIC has received a total of: (i) $100,000,000 in bond allotments from the Connecticut Bond Commission prescribed under Public Act No. 17-2; (ii) $33,116,289 from the Connecticut Department of Housing, representing funds collected by the Connecticut Insurance Department through the Healthy Homes surcharge, from inception through the fiscal year ending June 30, 2022; (iii) in each of the fiscal years ending June 30, 2023, 2024, and 2025, $25,000,000, $25,000,000, and $25,000,000 under Public Act No. 21-111; and (iv) $11,010,306 and $11,106,772 in Healthy Home surcharges from the Connecticut Department of Housing during the years ended June 30, 2025 and 2024, respectively. CFSIC did not receive any funds through the Healthy Homes surcharge during the year ended June 30, 2023. This surcharge is collected by all insurers, whether admitted or non-admitted, providing traditional homeowner's insurance policies on residential dwellings located within Connecticut. The surcharge, which is a total of $12 per policy underwritten, is collected annually by the insurers underwriting these policies during the period January 1 through December 31. These insurers have from the following January 1 through April 30 to calculate and remit the total of these collected funds to the Connecticut Insurance Department. The CID, in turn, tabulates the total of all funds collected and remits these to the Connecticut Department of Housing, which in turn provides CFSIC with 85% of the total of the funds received by way of satisfaction of the annual Healthy Homes funding commitment.

These eight bond allotments, as well as these Healthy Homes surcharge allotments, have been recorded as deposits received. The exhibit that follows details this deposit activity and also details total expense disbursements on an accrual and cash basis, as well as actual indemnity payments and reimbursements supporting foundation remediation activities. With respect to total expenses incurred, these expenses reflect the Company's operations through June 30, 2025, 2024, and 2023. For public reporting purposes, CFSIC also tracks accrual and cash basis expenses on a calendar year basis and reports these in accordance with the specific terms of Public Act No. 17-2 as those terms have been interpreted by legal counsel to CFSIC.

The following is a summary of the Company's deposit liability activities for the years ended June 30, 2025, 2024, and 2023:

	2025	2024	2023
Liability at beginning of year	$ 44,799,422	$ 34,567,479	$ 34,927,041
Deposits received	36,010,331	36,106,797	25,000,025
Interest income in excess of operating expenses	978,891	963,120	-
Transfer to fund operating expenses	-	-	(116,680)
Claims administration fees paid	(574,113)	(465,617)	(417,088)
Indemnity payments	(30,305,630)	(26,372,357)	(24,825,819)
Liability at end of year	$ 50,908,901	$ 44,799,422	$ 34,567,479

As of June 30, 2025, 2024 and 2023, CFSIC carried a net deficit of $28,397,486, $30,371,620, and $32,664,647, respectively. CFSIC's underwriting and claims management process, supported by its electronic application platform, has enabled claimants to submit application and supporting documentation permitting the rapid identification of homes with impaired foundations. CFSIC has established reserves, using its foundation severity coding guidelines, for the eventual payment of claims for those homes with the most severely impacted deteriorating foundations. CFSIC's identification of these impaired foundations and the resulting claim reserves that have been established for these verified deteriorating foundations has resulted in an accumulation of claim liabilities exceeding the total of deposits received as of fiscal years ending June 30, 2025, 2024 and 2023.

(Continued)

The following is a summary of CFSIC's Statements of Net Position as of June 30, 2025, 2024, and 2023:

	2025	2024	2023
ASSETS			
Current assets:			
Cash and cash equivalents	$ 50,081,820	$ 43,991,151	$ 33,748,173
Loss escrow	1,157,552	1,157,552	1,157,552
Prepaid expenses	23,269	24,184	24,166
Total current assets	51,262,641	45,172,887	34,929,891
Total assets	$ 51,262,641	$ 45,172,887	$ 34,929,891
LIABILITIES AND NET POSITION			
Current liabilities:			
Deposit liability (Note 4)	$ 50,908,901	$ 44,799,422	$ 34,567,479
Accrued expenses	100,470	127,815	137,412
Total current liabilities	51,009,371	44,927,237	34,704,891
Non-current liabilities:			
Unfunded liability for unpaid losses loss adjustment expenses (Note 2)	28,397,486	30,371,620	32,664,647
Residual liability due to State of Connecticut	253,270	245,650	225,000
Total non-current liabilities	28,650,756	30,617,270	32,889,647
Total liabilities	79,660,127	75,544,507	67,594,538
Net Position - Unrestricted	$ (28,397,486)	$ (30,371,620)	$ (32,664,647)

We have included an exhibit providing information concerning CFSIC's revenues, expenses, and changes in net position detailing current assets, total assets, current liabilities inclusive of deposit liabilities, and accrued expenses for the fiscal years ending June 30, 2025, 2024, and 2023. Also shown in this exhibit is the extent of CFSIC's unfunded liability for unpaid losses for the same period.

(Continued)

The following is a summary of CFSIC's Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2025, 2024, and 2023:

	2025	2024	2023
Operating revenue:			
Transfer from deposit liability	$ -	$ -	$ 116,680
Interest income	2,222,842	2,156,137	1,081,045
Interest income and operating revenue	2,222,842	2,156,137	1,197,725
Operating expenses:			
Professional and management fees	925,656	864,380	879,045
General and administrative expenses	310,675	307,987	318,680
Total operating expenses	1,236,331	1,172,367	1,197,725
Net operating income	986,511	983,770	-
Non-operating revenue:			
Transfer to deposit liability	(978,891)	(963,120)	-
Transfer to residual liability	(7,620)	(20,650)	-
Unfunded liability for unpaid losses and loss adjustment expenses	(1,974,134)	(2,293,027)	6,596,991
Change in net position	1,974,134	2,293,027	(6,596,991)
Net position, beginning of year	(30,371,620)	(32,664,647)	(26,067,656)
Net position, end of year	$ (28,397,486)	$ (30,371,620)	$ (32,664,647)

Professional and Management Fees

Professional and management fees include the expenses of third-party service providers providing contracted services to CFSIC in support of its operations and management. Such services include the Company's auditor, actuary, captive manager, legal counsel, public outreach firm, and the office of the Superintendent. CFSIC has no employees and carries no payroll, payroll tax, or employee benefit expense liabilities on its books as a result.

General and Administrative Expenses

CFSIC is limited under Public Act No. 17-2 to expenditures for general and administrative expense not to exceed 10% of its allotments of revenue, including deposits received, as that revenue has been received in any calendar year. General and administrative expenses include claim adjustment fees, fees associated with payments to all service providers, insurance, the management of the Company's public outreach process, legal and tax-related support services, and travel and related expenses.

(Continued)

Investment Income

The Board of Directors of CFSIC has determined that, given the uncertainty of the Company's sources of funding, as well as the timing of those sources, no long-range investment strategy encompassing an asset allocation or duration strategy is possible. As a result, CFSIC's investment income is derived from interest income on funds held at a bank in a money market account with a guaranteed rate of return, subject to a minimum deposit threshold.

Sources of Funding

A new bonding authorization bill (Public Act No. 25-174) was signed into law by the Governor of the State of Connecticut in which CFSIC has been pledged $100,000,000 in four annual installments of $25,000,000 which will begin on July 1, 2026. A prior bonding authorization bill (Public Act No. 21-111) was signed into law by the Governor of the State of Connecticut in which CFSIC was pledged $100,000,000 in four annual installments of $25,000,000 which began on July 1, 2022. Prior to this, CFSIC received all of the original $100,000,000 Bond Commission allotment pledged to it under Public Act No. 17-2. In addition, after the Healthy Homes installment of $10,950,117 collected in September 2025, CFSIC anticipates receiving five more Healthy Homes installments, representing approximately $55,000,000 in estimated potential revenue by June 30, 2030. Generally speaking, CFSIC's management uses, in the furtherance of CFSIC's business and budget planning, the date of June 30, 2030 when projecting estimated revenues and expense.

As of the date of the presentation of these financial statements, CFSIC has projected budgeted revenue to be received by June 30, 2030 to be approximately $180,000,000. This consists of $55,000,000 of expected installments of Healthy Homes funding through that date, plus $25,000,000 of Connecticut Bond Commission commitment, as referenced above, plus $100,000,000 of new Connecticut Bond Commission commitment, as referenced above. It is important to point out that CFSIC carries information on 124 claimants in the "Pending" class of claimant, the majority of which are foundation Severity Class coded 3 or 2. This class of claimants is not recorded within the deposit liability or unfunded liability for unpaid losses on the Company's Statements of Net Position as of June 30, 2025, 2024, or 2023. The estimate of budgeted revenue in this paragraph will be sufficient to address all known Pending claimants as of the date of these financial statements. It is expected that CFSIC will add 1,000 to 1,200 more Pending claimants by June 30, 2030. With this projected claimant enrollment, it's uncertain that the projected funding will be sufficient to address the anticipated total of all claimants enrolled with CFSIC, by that date.

(Continued)

Lastly, management's discussion and analysis includes a summary of the Company's cash flows, which includes deposits received, less losses and associated claims administration expenses, and provides a total of net cash flows provided from operating activities. The following is a summary of the Company's Statements of Cash Flows for the years ended June 30, 2025, 2024, and 2023:

	2025	2024	2023
Cash flows from operating activities:			
Deposits received	$ 36,010,331	$ 36,106,797	$ 25,000,025
Deposits returned to State of Connecticut	-	-	(500,259)
Losses and claims administration expenses paid	(30,879,743)	(26,837,974)	(25,242,907)
Professional and management fees paid	(944,241)	(879,860)	(892,773)
General and administrative expenses paid	(318,520)	(302,122)	(282,814)
Interest income collected	2,222,842	2,156,137	1,081,045
Net cash flows provided by (used in) operating activities	6,090,669	10,242,978	(837,683)
Increase (decrease) in cash and cash equivalents	6,090,669	10,242,978	(837,683)
Cash and cash equivalents, beginning of year	43,991,151	33,748,173	34,585,856
Cash and cash equivalents, end of year	$ 50,081,820	$ 43,991,151	$ 33,748,173

The composition of the Company's cash and cash equivalents as of June 30, 2025, 2024, and 2023 is as follows:

	2025	2024	2023
Cash - checking account	$ 130,805	$ 69,825	$ 74,643
Cash - money market deposit accounts	49,951,015	43,921,326	33,673,530
Total	$ 50,081,820	$ 43,991,151	$ 33,748,173

Contacting Management

This financial narrative is designed to provide the reader with a general overview of Connecticut Foundation Solutions Indemnity Company, Inc.'s finances. If you have any questions about this report or need additional information, please contact:

Connecticut Foundation Solutions Indemnity Company, Inc.
237 Hillside Road
Ashford, CT 06278
860-487-0000

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 50,081,820	$ 43,991,151
Loss escrow	1,157,552	1,157,552
Prepaid expenses	23,269	24,184
Total current assets	51,262,641	45,172,887
Total assets	51,262,641	45,172,887
LIABILITIES AND NET POSITION		
Current liabilities:		
Deposit liability (Note 4)	50,908,901	44,799,422
Accrued expenses	100,470	127,815
Total current liabilities	51,009,371	44,927,237
Non-current liabilities:		
Unfunded liability for unpaid losses and loss adjustment expenses (Note 2)	28,397,486	30,371,620
Residual liability due to State of Connecticut	253,270	245,650
Total non-current liabilities	28,650,756	30,617,270
Total liabilities	79,660,127	75,544,507
Net Position - Unrestricted	$ (28,397,486)	$ (30,371,620)

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2025 and 2024

	2025	2024
Operating revenue:		
Interest income	$ 2,222,842	$ 2,156,137
Interest income and operating revenue	2,222,842	2,156,137
Operating expenses:		
Professional and management fees	925,656	864,380
General and administrative expenses	310,675	307,987
Total operating expenses	1,236,331	1,172,367
Net operating income	986,511	983,770
Non-operating revenue:		
Transfer to deposit liability	(978,891)	(963,120)
Transfer to residual liability	(7,620)	(20,650)
Unfunded liability for unpaid losses and loss adjustment expenses	(1,974,134)	(2,293,027)
Change in net position	1,974,134	2,293,027
Net position, beginning of year	(30,371,620)	(32,664,647)
Net position, end of year	$ (28,397,486)	$ (30,371,620)

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

	2025	2024
Cash flows from operating activities:		
Deposits received	$ 36,010,331	$ 36,106,797
Losses and claims administration expenses paid	(30,879,743)	(26,837,974)
Professional and management fees paid	(944,241)	(879,860)
General and administrative expenses paid	(318,520)	(302,122)
Interest income collected	2,222,842	2,156,137
Net cash flows provided by operating activities	6,090,669	10,242,978
Increase in cash and cash equivalents	6,090,669	10,242,978
Cash and cash equivalents, beginning of year	43,991,151	33,748,173
Cash and cash equivalents, end of year	$ 50,081,820	$ 43,991,151
Reconciliation of net operating income to net cash flows from operating activities:		
Net operating income	$ 986,511	$ 983,770
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses	915	(18)
Accrued expenses	(27,345)	(9,597)
Deposit liability	5,130,588	9,268,823
Net cash provided by operating activities	$ 6,090,669	$ 10,242,978

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

NOTE 1 - ORGANIZATION

Connecticut Foundation Solutions Indemnity Company, Inc. ("CFSIC") is a not-for-profit corporation formed in the State of Connecticut to provide financial assistance to owners of residential buildings in northeastern Connecticut for the repair or replacement of concrete foundations pursuant to a liability insurance contract. CFSIC was established pursuant to the Connecticut General Assembly P.A. 17-2. CFSIC was incorporated on June 26, 2018 and received its initial funding from the State of Connecticut Department of Housing in conjunction with the State of Connecticut Bonding Commission on August 6, 2018. CFSIC was licensed as a sponsored cell captive insurance company by the Connecticut Insurance Department ("CID") on August 8, 2018.

The Crumbling Foundations Assistance Trust ("CFAT") is a tax-exempt trust formed under the authority of the Treasurer of the State of Connecticut and serves as the sponsor of CFSIC with the Crumbling Foundations Assistance Fund ("CFAF") serving as the transfer mechanism for funding from the State of Connecticut. Both of these entities were formed as part of Connecticut General Assembly P.A. 17-2.

As a sponsored cell captive insurance company in the State of Connecticut, CFSIC has the ability to establish separate incorporated or unincorporated protected cells, whereby each cell participant benefits from having their respective programs legally segregated from the assets and liabilities of other participants' programs. As of June 30, 2025 and 2024, CFSIC has established one protected cell named the Connecticut Foundation Solutions Indemnity Company Cell ("CFSIC Cell"), which is an unincorporated entity. The CFSIC Cell is a component unit of CFSIC (collectively, "the Company"). The Company began to accept applications from claimants on January 10, 2019.

The Board of Directors of CFSIC engages a Superintendent for the management of the Company. CFSIC also engages several independent service providers, under the direction of the Superintendent and the Board of Directors, to carry out various functions of the Company. Such services include third-party administrative claims management, accounting, regulatory compliance and corporate legal. Under the enabling legislation, no more than 10% of all funds made available to the Company in any calendar year are to be used for administrative or operational costs. The Company was in compliance with this requirement for the year ended June 30, 2025 and 2024.

The Company is funded through the CFAF with State bonded funds and proceeds through the Healthy Homes surcharge by the Connecticut Department of Housing (CT DOH). CFSIC received $100 million over a period of five years from the date of incorporation through June 30, 2022, with $20 million received each calendar year. The initial $850,000 was funded through a grant from the CT DOH to the Company. Subsequent receipts were funded through a direct transfer of funds pursuant to a contract between the Department of Housing and the Company (the DOH Contract). On July 6, 2021 Public Act 21-120 was signed by the Governor of Connecticut, which eliminated the termination date of CFSIC established pursuant to section 38a-91vv of the Connecticut general statutes. Additionally, another $100 million in annual installments of $25 million was pledged with the signing of a bond authorization bill. However, the signing of the bond authorization bill does not guarantee the anticipated future funding. As of June 30, 2025, the Company received the first, second, and third $25 million dollar installments.

NOTE 1 - ORGANIZATION (Continued)

Additionally, as part of the Healthy Homes surcharge, CFSIC is scheduled to receive approximately 85% of the total amount collected from an annual $12 per homeowner insurance policy surcharge on homeowner policies issued within the state of Connecticut. This policyholder surcharge is scheduled to run, for purposes of the annual calculation of the surcharge, through December 31, 2029, with the probable remittance to CFSIC of that year's surcharge in June of 2030. The Company used the funding summarized below to support issuance of Participation Agreements with its participants as more fully described in Notes 2 and 4:

Healthy Homes Surcharge Year	Collection Date	Amount Collected
2019	June 26, 2020	10,601,209
2020	June 2, 2021	10,580,618
2021	June 27, 2022*	11,934,462
2022	August 18, 2023	11,106,772
2023	September 24, 2024	11,010,306

*The third surcharge collection occurred on June 27, 2022 in the amount of $12,434,721, of which $500,259 was due back to the State of Connecticut due to an overpayment, and encompassed a date range of surcharge collection from January 1, 2021 through December 31, 2021. During fiscal year 2023, the overpayment was paid

The surcharge for the date range January 1, 2024 through December 31, 2024 was not collected as of June 30, 2025, and therefore, not reflected in these financial statements (See Note 8).

The management of the Company monitors cash disbursements paid and committed, through the entering into of Participation Agreements, on behalf of approved foundation indemnification and reimbursements, with the objective of making certain that the total of all foundation indemnification and reimbursements committed do not exceed available cash on hand, inclusive of sufficient margin to maintain a combination of operations and required share capital.

Funds that have been received have been recorded directly to "deposit liability," on the Statements of Net Position, as more fully described in Note 2. The Company's Board of Directors approved the designation of $225,000 to satisfy the capital requirements of the CID, as required by Connecticut Insurance Law. The designation of $225,000 was based on an assessment of factors that would impact amounts designated as capital. CFSIC holds the amounts designated to satisfy capital requirements as a liability, "residual liability" on its Statement of Net Position. Amounts designated to satisfy capital requirements are held as a liability, rather than as residual net position, due to provisions of Connecticut General Assembly P.A. 17-2 that require the Company to return funding that remains, if any, after all obligations have been satisfied. Designation of funds to satisfy capital requirements does not restrict the ability of the Company to use such funds to satisfy its obligations, as more fully described in Note 4.

Any net gain or loss from operations will directly impact the Company's residual liability designated to satisfy capital requirements. There was a net operating gain of $7,620 and $20,650 on the residual liability for the years ended June 30, 2025 and 2024, respectively. As a result, the residual liability increased to $253,270 and $245,650 as of June 30, 2025 and 2024, respectively.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

Going Concern: As of June 30, 2025 and 2024, the Company lacks sufficient funds to meet the needs of its claimants and is dependent upon the amount of funding it receives from the State of Connecticut, which includes the Healthy Homes surcharge as well as allocations of funding provided through annual revenue bond allotments. As such, this raises substantial doubt about its ability to continue as a going concern. The Company has a net capital deficiency of $28,397,486 and $30,371,620 as of June 30, 2025 and 2024, respectively. The Company is currently aware of approximately 124 pending claim applications as of June 30, 2025, and is not included in either the funded or unfunded liabilities recorded on the Company's statement of net position as of June 30, 2025. The Company anticipates that these claim applications will be actively processed in future periods with approximately 100 being processed over the next fiscal year. It is uncertain if future funding from the State of Connecticut and the Healthy Homes surcharge as well as allocations of funding provided through annual revenue bond allotments will be enough to address the payment of these pending applications in future periods. Additionally, bond allotments are subject to annual approval by the State of Connecticut Bonding Commission. As such, it is uncertain if the Company has the ability to continue as a going concern.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the Company have been prepared using accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental entities. The Company is subject to accounting standards promulgated by the Governmental Accounting Standards Board ("GASB"), as applied by the State of Connecticut. GASB is recognized as the accepted standard-setting body for the promulgation of accounting and financial reporting principles applicable to U.S. state and local governmental entities.

As of June 30, 2025 and 2024, the Company received a permitted accounting practice from the Connecticut Insurance Department to record an unfunded liability for unpaid losses and loss adjustment expenses in the amount of $28,397,486 and $30,371,620, respectively, for an insurance contract that does not transfer insurance risk, which is not in accordance with accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the United States of America, the unfunded liability for unpaid losses and loss adjustment expenses would not be recorded under the deposit accounting model, as defined below, as it represents the liability for potential future claims for which no participation agreement (or legal contract of indemnification) has been signed and associated funding has not yet been received by the State of Connecticut.

The CFSIC Cell, as a component unit of the Core, has been blended for financial reporting purposes.

Cash and Cash Equivalents: The Company considers all cash and highly liquid instruments with original maturities of three months or less to be cash equivalents. This includes cash and money market accounts. Cash and cash equivalents held as of June 30, 2025 and 2024 were as follows:

	2025	2024
Cash and Cash Equivalents:		
Cash - checking account	$ 130,805	$ 69,825
Cash - money market deposit accounts	49,951,015	43,921,326
Total cash and cash equivalents	$ 50,081,820	$ 43,991,151

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposit Accounting: As more fully described in Note 4, the DOH Contract does not transfer "insurance risk" to the Company, as that term is defined in applicable accounting guidance. The Company's claim losses cannot exceed the funding received and therefore, the contract does not pass underwriting or timing risk. Accordingly, the transfer of funds to the Company was accounted for using "deposit accounting." Deposit accounting is applied when no insurance risk is present in a contract. When considered in its entirety, the DOH Contract contains neither underwriting risk nor timing risk, two elements fundamental to the transfer of insurance risk.

Under deposit accounting, which focuses primarily on the balance sheet, all financial activity related to the DOH Contract is recorded through a "deposit liability" on the Statement of Net Position. The deposit liability represents loss and loss adjustment expenses to be paid under the DOH Contract to the extent funds have been received. This liability is increased to the extent funds are received subject to the terms of the DOH Contract, less the $225,000 originally designated to meet capital and surplus requirements held as a residual liability. Notwithstanding, the designation of funds to satisfy capital and surplus requirements does not restrict the ability of the Company to use such funds to satisfy its obligations. Given the establishment of the deposit liability, no further recognition of loss or loss adjustment expenses occurs. The deposit liability is reduced to the extent that loss and loss adjustment expenses are paid. Payment of such expenses does not impact the Statement of Revenues, Expenses and Changes in Net Position. Due to the fact that loss and loss adjustment expenses are frequently paid within a period of twelve months or less from when funding is received, there is no recognition of additional liability over the period of its estimated life (pursuant to the DOH Contract) in excess of the original deposit amount and the deposit liability is not adjusted upward for "interest accretion" at each reporting date.

Unfunded Liability for Unpaid Losses and Loss Adjustment Expenses: The unfunded liability for unpaid losses and loss adjustment expenses includes case basis estimates of reported losses for which no participation agreements or legal contract of indemnification have been effectuated. Management believes that its aggregate liability for the unfunded liability for unpaid losses and loss adjustment expenses at period end represents its best estimate, based on the available data, of the amount necessary to cover the ultimate cost of losses above and beyond the loss and loss adjustment expenses to be paid under the DOH Contract to the extent funds have been received. As adjustments to this estimate become necessary, such adjustments are reflected in the Statements of Revenues, Expenses and Changes in Net Position.

No estimate for losses incurred but not reported ("IBNR") has been developed to date as known losses that have been incurred have insignificant volatility and short reporting duration. An initial liability for unpaid losses and loss adjustment expenses is established for $190,000 ($175,000 prior to January 5, 2022) once an application is received from a claimant, including verifiable evidence of the severity-coded impairment. Foundation replacements are limited to $190,000 (and $76,000 for condominiums) ($175,000 and $70,000 prior to January 5, 2022, respectively) and management is able to project individual known case liabilities as applications are received from claimants with adjustments to the liabilities once the winning contract proposal is chosen by the homeowner without the assistance of an independent actuary. Management believes that its unfunded liability for unpaid losses and loss adjustment expenses coupled with the deposit liability at period end, represents its best estimate, based on the available data, of the amount necessary to cover the ultimate cost of losses; however, because of the nature of the insured risks and limited historical experience, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the Statement of Net Position date. Accordingly, the ultimate liability could vary significantly from the amount indicated on the Statements of Net Position.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes: The Company has received a determination letter from the Internal Revenue Service (IRS) effective June 26, 2018, indicating that the Company qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as exempt from federal income taxes. Accordingly, no tax provision has been recorded by the Company. Additionally, by statute, the Company is not subject to any Connecticut State or local taxes or fees.

Non-operating Activities: Activities not related to the Company's primary purpose are considered non-operating. Interest income is considered an operating activity. The Company considers the change in the unpaid liability for unpaid losses and loss adjustment expenses as a non-operating activity since deposits to support operations have not yet been received.

Use of Estimates and Assumptions: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could materially impact the amounts reported and disclosed herein.

New Accounting Pronouncement: In June 2023, GASB issued Statement No. 102, "*Certain Risk Disclosures"* (GASB 102), which is effective for the Company for the fiscal year ending June 30, 2025. The Company adopted GASB 102 as of July 1, 2024. GASB 102 requires entities to disclose information about certain concentrations, constraints, and vulnerabilities that could have a significant impact on financial position, results of operations, or cash flows. Refer to Note 6.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Company estimates of fair value for financial assets are based on the framework established in GASB 72 "*Fair Value Measurement and Application*." The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable.

In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions.

The three levels of the hierarchy are as follows:

> Level 1 - Inputs to the valuation methodology are quoted prices for identical assets traded in active markets.
>
> Level 2 - Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market corroborated inputs.
>
> Level 3 - Inputs to the valuation methodology are unobservable for the asset and are significant to the fair value measurement.

The Company had money market funds in the amount of $49,951,015 and $43,921,326 as of June 30, 2025 and 2024, respectively, that are considered to be level one investments.

(Continued)

NOTE 4 - INSURANCE ACTIVITY

Pursuant to the DOH Contract between the Connecticut Department of Housing and the Company, the Company provides assistance to owners of residential buildings with concrete foundations that have deteriorated due to the presence of reactive pyrrhotite in the concrete mixture used to pour the foundations.

The Company requires claimants whose claims are validly in line for adjustment to sign a Participation Agreement representing a legal contract of indemnification in advance of the commencement of the claim payment process. Residential building owners become “Participants” under the program, however, no premium is paid to the Company by the Participant. The funds to pay active claims are provided through an expected annual allotment to the Company from the CFAF, which received $25 million in bonded funds from the State of Connecticut for each state fiscal year ending 2025 and 2024. During the year ended June 30, 2025 and 2024, an additional $25 was received for contributions from various donors, respectively. In addition, the Company received $11,010,306 and $11,106,772 during the year ended June 30, 2025 and 2024, respectively, funded through a $12 per year homeowner policy assessment on each policy underwritten in the State of Connecticut.

Claims are presented to the Company by claimants who qualify for consideration by proof of ownership of affected residential buildings unless they have been previously defined as Legacy Claimants, but at all times subject to whether claims are Type 1 (claimants that are seeking indemnification) or Type 2 (claimants that are seeking reimbursement) claims as defined in the Company’s underwriting guidelines, and other criteria, which may from time to time be established by the Company’s Board of Directors. Type 1 and Type 2 claims are adjusted and paid subject to the terms and conditions of the Company’s underwriting guidelines, which includes replacement cost parameters among other criteria.

In accordance with the underwriting guidelines, a Type 2 claimant who has partially replaced a foundation with the object of temporarily stabilizing the residential building in question, and where the work performed was performed on or before January 10, 2019, may file an application for a Type 2 claim for the total of the partial work already completed on a one-time basis, with the understanding that further partial work is not eligible for reimbursement. The claimant may then subsequently either re-apply as a Type 2 claimant seeking reimbursement for the completion of the entire foundation replacement for the same residential building, or apply as a Type 1 claimant seeking financial assistance in order to undertake a complete foundation replacement for the same residential building.

With respect to a claimant filing a Type 2 claim for partial reimbursement, the Company will not pay for more than one partial reimbursement. When filing a partial reimbursement claim, the claimant must file a complete application in order to be eligible for that partial reimbursement, in the same way and with the same points of evidence as would be required for a claim involving a reimbursement for a full foundation. When either a Type 1 or Type 2 claim is fully adjusted and paid, in satisfaction of a complete replacement or complete reimbursement of a foundation, any payment made for a partial reimbursement performed on the foundation of the eligible residential building is deducted in an amount equivalent to the amount already paid for that partial work completed. Claims are subject at all times to a limit of $190,000 ($175,000 prior to January 5, 2022) in total expenditure, inclusive of the amount of any partial reimbursement with the exception of condominiums, where a limit of $76,000 ($70,000 prior to January 5, 2022) per eligible unit is applied, and where the limit on the total allowable concrete work is calculated based on the number of eligible units resting on a common foundation platform. The exception to this is a single condominium unit resting on a sole and single foundation platform, to which the limit of $190,000 ($175,000 prior to January 5, 2022) is applied.

(Continued)

NOTE 4 - INSURANCE ACTIVITY (Continued)

Both Type 1 and Type 2 claim applications require points of evidence as detailed within the Company's underwriting guidelines. Claims with submitted complete applications without all points of required evidence are registered, and an initial liability is established, provided that such claims include, at a minimum, evidence of a foundation severity class coding 3, 2, or 1, where such severity class coding has been established according to the Company's underwriting and claims management guidelines. These claims remain classified as inactive until all required points of evidence are submitted. Inactive claims do not enable claimants to receive funds from the Company. A claim categorized as inactive is maintained as registered from the date of the application until it becomes an active claim. Active Type 1 claims have first priority to available funds before inactive Type 1 claims, regardless of severity class. As claims become active, they move up in priority with respect to access to available claim adjustment funds, but always in the order of severity, and using a severity coding: Class 3, followed by Class 2, followed by Class 1. Active Type 2 claims are adjusted in the order in which they are determined to be active claims, but subject to any limitations (as defined below) as to the number of Type 2 claims, which can be paid in any specific fiscal year, or for all fiscal years, including claims paid to Legacy Claimants.

The Company's Board of Directors has established that it will permit a total of 125 active Type 2 claims to be paid from the date of the Company's commencement of underwriting activities on January 10, 2019 through June 30, 2025. This number of paid claims includes "Legacy Claimants." The Company may take applications for Type 2 claims in any number, subject at all times to the availability of funds; however, as of the date of the Company's commencement of operations, the Board of Directors has authorized only 125 Type 2 claims to be paid in total; and, secondly, has authorized that no more than 25 Type 2 claims can be paid in any of the Company's fiscal years beginning on July 1, 2019.

The Company utilizes a third-party administrator (the TPA) for claim adjustments. When a claim is ready for adjustment, the TPA directs the claimant to the list of approved contractor vendors on the Capitol Region Council of Governments (CRCOG)'s website able to provide quotations for foundation replacement and related services. The TPA is responsible for all payments made on behalf of the Company to the contractor selected by the claimant. No funds are disbursed by the TPA directly to a Type 1 claimant. The funds are dispersed directly to the contractor that performs the foundation repair.

The Company has established an escrow fund with the TPA, which is funded at regular intervals by the Company for the purpose of expediting the paying of claims by the TPA.

The Company is unable to accept applications for eligible residential buildings when, as determined through the TPA's loss run, as confirmed by the Superintendent, and as approved by the Company's Board of Directors, the total of all projected ultimate amounts due to identified eligible existing claimants exceeds known and confirmed sources of funds available to the Company from known sources, as those sources apply uniformly to all eligible claimants.

Any temporary or permanent cessation of new application or Participation Agreement activity is announced on the Company's website. Under certain conditions, the Company may suspend the signing of new Participation Agreements even though it is continuing to take new applications from potential claimants. Similarly, the Company may suspend the taking of new applications, under certain conditions, while it continues to enter into Participation Agreements with claimants.

(Continued)

NOTE 4 - INSURANCE ACTIVITY (Continued)

Deposit liability activity for the year ended June 30, 2025 and 2024, is summarized in the table below:

	2025	2024
Liability at beginning of period	$ 44,799,422	$ 34,567,479
Deposits received	36,010,331	36,106,797
Interest income in excess of operating expenses	978,891	963,120
Claims administration fees paid	(574,113)	(465,617)
Indemnity payments	(30,305,630)	(26,372,357)
Liability at end of period	$ 50,908,901	$ 44,799,422

NOTE 5 - REGULATORY REQUIREMENTS

The laws of the State of Connecticut require the Company to maintain a minimum of $225,000 unimpaired capital. As described in Note 1, the Company has designated $225,000 to satisfy the capital requirements of the CID. Amounts designated to satisfy capital requirements are held as a liability, rather than as residual net position, due to provisions of Connecticut General Assembly P.A. 17-2 that require the Company to return funding that remains, if any, after all obligations have been satisfied. Net gain or loss from operations will directly impact the Company's residual liability designated to satisfy capital requirements. There was a net operating gain of $7,620 and $20,650 on the residual liability for the years ended June 30, 2025 and 2024, respectively. As a result, the residual liability increased to $253,270 and $245,650 as of June 30, 2025 and 2024, respectively.

There are no differences between net position and net loss as reported in these financial statements and the corresponding amounts reported in the 2025 Connecticut Captive Insurance Company Annual Statement.

The following table reconciles assets, liabilities, net position and change in net position as presented in the 2024 Connecticut Captive Insurance Company Annual Statement to the amounts shown in the accompanying financial statements:

2024	Assets	Liabilities	Net Position	Change in Net Position
Amount per annual report as filed	$ 45,172,890	$ 75,781,517	$ (30,608,627)	$ 2,056,020
General and administrative expenses and accrued expenses	(3)	(237,010)	237,007	237,007
Amount per accompanying financial statements	$ 45,172,887	$ 75,544,507	$ (30,371,620)	$ 2,293,027

(Continued)

NOTE 6 - CUSTODIAL CREDIT RISK AND OTHER RISKS

The Company follows the disclosure requirements of GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*" (GASB 40), and accordingly, the Company has assessed the Custodial Credit Risk of its cash and cash equivalents.

Custodial credit risk is the risk that, in the event of the failure of counterparty, the Company will not be able to recover the value of its bank deposits that are in the possession of an outside party. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to $250,000 per depositor, per bank. Amounts in excess of the FDIC limit are uninsured. It is the Company's policy to monitor the financial strength of the bank that hold its deposits on an ongoing basis. During the normal course of business, the Company maintains cash balances in excess of the FDIC insurance limit. As of June 30, 2025 and 2024, the Company's uninsured bank deposits were $50,739,372 and $44,648,703. This amount is exposed to custodial credit risk as it's uncollateralized. The Company's policy for custodial credit risk is to monitor the financial strength of the bank that holds its deposits on an ongoing basis.

The Company follows the disclosure requirements of GASB 102, and accordingly, the Company has disclosed information about certain concentrations, constraints, and vulnerabilities that could have a significant impact on financial position, results of operations, or cash flows.

The Company is subject to risks arising from concentrations and constraints. A substantial portion of the Company's funding and operating resources is derived from a limited number of sources, specifically State of Connecticut General Obligation Bond allotments and collections from the Healthy Homes homeowner insurance policy surcharge. In addition, the Company is subject to statutory and legislative limitations under Connecticut Public Act No. 17-2 (and subsequent amendments), which restrict the use of its funds to the remediation of concrete foundations containing pyrrhotite and limit administrative costs to no more than 10 percent of total annual funding received. Additionally, the Company must maintain minimum unimpaired capital of $225,000 as required by the Connecticut Insurance Department, which is held as a residual liability.

As of the date these financial statements were available to be issued, management is not aware of any events or conditions that would make these risks more likely than not to materialize within the next twelve months. However, should such events occur, such as reductions in future state appropriations, changes in legislation affecting the Healthy Homes surcharge, or regulatory modifications, they could materially affect the Company's financial position, results of operations, or cash flows.

NOTE 7 - SERVICE AGREEMENTS AND RELATED PARTY TRANSACTIONS

The Company utilizes a managing underwriter to perform its day-to-day operations as Superintendent of the Company pursuant to a management agreement. For the years ended June 30, 2025 and 2024, the Company incurred fees of $694,392 and $657,908, respectively, related to this agreement.

Accounting and reporting services, record retention, and other management services were provided by Marsh Captive Solutions pursuant to a management agreement. An employee of Marsh was also a member of the Board of Directors. For the years ended June 30, 2025 and 2024, the Company incurred fees of $108,544 and $105,000, respectively, related to this management agreement.

For the years ended June 30, 2025 and 2024, the Company utilizes a third-party administrator to manage its claims. For the years ended June 30, 2025 and 2024, the Company incurred $570,277 and $464,000, respectively, relating to this service.

(Continued)

NOTE 8 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events for disclosure and recognition through November 24, 2025, the date the financial statements were available to be issued. On September 2, 2025, the Company received $10,950,117 through the Healthy Homes surcharge. On August 1, 2025, the State of Connecticut Bonding Commission approved the final $25 million bond installment from Public Act No. 21-111 for the fiscal year ending June 30, 2025. On September 24, 2025, the Company received the $25 million bond installment. There were no other material events that required disclosure.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Connecticut Foundation Solutions Indemnity Company, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Connecticut Foundation Solutions Indemnity Company, Inc (the "Company"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated November 24, 2025.

As discussed in Note 2, as of June 30, 2025 and 2024, the Company received a permitted accounting practice from the Connecticut Insurance Department to record an unfunded liability for unpaid losses and loss adjustment expenses totaling $28,397,486 and $30,371,620 for an insurance contract that does not transfer insurance risk, which is not in accordance with accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the United States of America, the unfunded liability for unpaid losses and loss adjustment expenses would not be recorded. Therefore, a qualified opinion on the Company's basic financial statements was issued. Had the permitted accounting practice not been recorded, total noncurrent liabilities would decrease by $28,397,486 and $30,371,620 and net position would increase by $28,397,486 and $30,371,620, respectively.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company lacks sufficient funds to meet the needs of its claimants and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

(Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

West Hartford, Connecticut
November 24, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors of
Connecticut Foundation Solutions Indemnity Company, Inc.

Report on Compliance for Each Major State Program

Opinion on Major State Program

We have audited Connecticut Foundation Solutions Indemnity Company, Inc.'s (the "Company") compliance with the types of compliance requirements identified as subject to audit in the Office of Policy and Management's Compliance Supplement that could have a direct and material effect on the Company's major state program for the year ended June 30, 2025. The Company's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2025.

Basis for Opinion on Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major state program. Our audit does not provide a legal determination of the Company's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Company's state programs.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Company's compliance based on our audit. 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, *Government Auditing Standards*, and the State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of the major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, 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 Company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

West Hartford, Connecticut
November 24, 2025

State Grantor/Pass-through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
State of Connecticut Department of Housing:		
Crumbling Foundations Assistance Fund	12052-DOH46900-43732	$ 21,280,240
Crumbling Foundations Assistance Fund	12060-DOH46900-35677	10,835,834
Total State of Connecticut Department of Housing		32,116,074
Total Expenditures of State Awards		$ 32,116,074

See Accompanying Note to the Schedule of Expenditures of State Financial Assistance

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of State Financial Assistance (the “Schedule”) includes the state award activity of the Connecticut Foundations Solutions Indemnity Company, Inc. (the “Company”) under a program of state government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of the State of Connecticut Office of Policy and Management under Section 4-236-6. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Because the Schedule presents only a selected portion of the operations of the Company, it is not intended to and does not present the financial position, changes in net deficit, or cash flows of the Company.

The following is a detailed listing of the components of the total expenditures of state awards.

Indemnity payments	$ 30,305,630
Claims administration fees	574,113
Professional and management fees	925,656
General and administrative expenses	310,675
Total expenditures of State financial assistance	$ 32,116,074

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditors' report issued:			Qualified	
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

State Financial Assistance

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:			Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 4-236-6 of the Regulations to the State Single Audit Act?		Yes	X	No

Identification of major programs:

State Grant Program CORE-CT Number	Name of State Program or Cluster	Expenditures
12052-DOH46900-43732	Crumbling Foundations Assistance	$21,280,240
12060-DOH46900-35677	Crumbling Foundations Assistance	$10,835,834

Dollar threshold used to distinguish between type A and type B programs: $ 963,482

Section II - Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

No findings were reported.

Section III - State Financial Assistance Findings and Questioned Costs

No findings or question costs were reported for the current year.