

MO9 Calculating Tangible Net Worth, Parent Companies, and Audit Standards [Sections 11-102-104; 11-110-401, C.R.S.]

A. Calculating Tangible Net Worth

1. When calculating the tangible net worth of a licensee, the Commissioner has the authority to disallow any assets that the Commissioner disqualifies due to the asset being:
 - a. Unsecured or inadequately secured;
 - b. Uncollectible or delinquent;
 - c. Owed by an entity that lacks sufficient independent financial resources; or
 - d. Otherwise, pose undue risk to the financial soundness of the licensee.

B. Parent Company Review

1. The Commissioner may examine the financial condition and operations of any parent company and/or affiliate of a licensee to the extent necessary to assess risk to the licensee. This includes, but is not limited to, review of financial statements, capital structure, sources of funding, and dependency on the licensee for revenue or solvency.

C. CPA and Audit Review Authority

1. The Commissioner may require submission of all audited financial statements prepared by a certified public accountant (CPA) and may review the qualifications and audit practices of the CPA. The Commissioner may reject any audit or financial report that, in its determination:
 - a. Does not comply with generally accepted accounting principles;
 - b. Is materially deficient in disclosures or methodology; or
 - c. Was prepared by a CPA or firm lacking independence, qualification, or professional standing.

D. Compliance and Enforcement

1. If the Commissioner determines that any assets, audit materials, or financial conditions of a licensee, parent company, and/or affiliate materially impair the licensee's financial condition, or if any required records are withheld or are deemed unreliable or deficient, the Commissioner may take enforcement action, including but not limited to:
 - a. Licensee to increase its net worth;
 - b. Restricting transactions with parent company and/or affiliates;
 - c. Mandating corrective action as a condition of continued licensure;

- d. Requiring the licensee to obtain a new audit or financial review by an independent, qualified CPA;
- e. Any other actions authorized under law

E. Failure to comply with Commissioner requests or to remediate deficiencies identified may result in administrative or civil enforcement action pursuant to Article 110 of Title 11, C.R.S.