

**STATE OF WASHINGTON
OFFICE OF THE INSURANCE
COMMISSIONER**



FINANCIAL EXAMINATION
of the Charitable Gift Annuity Business
of

**Back to the Bible Foundation
Lincoln, Nebraska**

DECEMBER 31, 2004

Order No. G 07-7
Back to the Bible Foundation
Exhibit A

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of the Charitable Gift Annuity Business of Back to the Bible Foundation of Lincoln, Nebraska. This report shows the financial condition of the Charitable Gift Annuity Business and related corporate matters of Back to the Bible Foundation as of December 31, 2004.



Patrick H. McNaughton
Chief Examiner

1-30-2007

Date

SALUTATION

Seattle, Washington
January 30, 2007

The Honorable Mike Kreidler, Commissioner
Washington State Office of the Insurance Commissioner (OIC)
Insurance Building, Capitol Campus
302-14th Avenue SW
Olympia, WA 98504

Dear Commissioner Kreidler:

In accordance with your instructions and in compliance with the statutory requirements of Chapter 48.38 RCW, Charitable Gift Annuity Business (CGAB), an examination was made of the corporate affairs and financial records pertaining to the CGAB of the

Back to the Bible Foundation

of

Lincoln, Nebraska

hereinafter referred to as "BBF" at its office, 6400 Cornhusker Highway, Lincoln, Nebraska 68507.

This report of examination is respectfully submitted showing the condition of the CGAB of BBF as of December 31, 2004.

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SCOPE OF THE EXAMINATION

This examination covers the period from December 6, 2002 through December 31, 2004, the period during which BBF has held a Certificate of Exemption from the OIC. Although the scope of our examination focused only on the transactions and operations of the CGAB, we also reviewed the consolidated financial statements of The Good News Broadcasting Association (TGNBA) and the BBF to evaluate the overall financial statement presentation. The financial statements presented in this report, however, are for BBF only, the holder of the certificate of exemption. BBF records, along with various aspects of its operating procedures and financial reports, were examined and tested during the course of this examination as necessary to substantiate CGAB reporting. The examination results are commented upon in the various sections of this report. In addition, BBF's certified public accountant's (CPA's) reports were reviewed and utilized, where possible, to facilitate efficiency in the examination.

The examination was conducted in accordance with statutory requirements contained in the Revised Code of Washington (RCW) and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (FCEH). The examination was conducted at the Lincoln, Nebraska office of BBF by examiners from the state of Washington.

INSTRUCTIONS

The examiners reviewed BBF's CGAB Annual Reports as part of the statutory examination. This review was performed to determine if BBF completed the Annual Reports in accordance with the annual report instructions published by the OIC and to verify that the BBF's accounts and records were prepared and maintained in accordance with Chapter 48.38 RCW.

The following summarizes the exceptions noted while performing this review.

1. Reporting Requirements

The balance sheet and statement of income and expenses sections of the 2004 Annual Report were not presented as of the calendar year ending December 31; they were presented based on BBF's fiscal year end June 30. BBF did not obtain prior permission from the OIC to prepare the annual report on its fiscal year. As a result, BBF was not in compliance with the OIC Annual Report Instructions (ARI).

The ARI states that the report must be completed on a calendar year basis, unless exempted specifically for that year. The exemption must be applied for each and every year per the ARI. The exemption, received on February 13, 2003, from the requirement to provide CGA Annual Report information on a calendar year basis was for the 2002 Annual Report.

RCW 48.38.010 states that: “The commissioner may grant a certificate of exemption to any insurer or educational, religious, charitable, or scientific institution conducting a charitable gift annuity business: (10) Which: (a) Files with the insurance commissioner on or before March 1 of each year a copy of its annual statement prepared pursuant to the laws of its state of domicile, as well as such other financial material as may be requested, . . . ” The OIC Annual Report Instructions require accurate reporting of the Washington State annuity contracts on an annual basis.

Pursuant to RCW 48.38.010, BBF is instructed to develop and implement a system for the accounting and reporting of its charitable gift annuity business in compliance with the principles or practices prescribed or permitted by Chapter 48.38 RCW, or to seek OIC approval for reporting on its fiscal year according to the OIC Annual Report Instructions.

2. Unrestricted Net Assets

The unrestricted net asset amount shown in the 2004 Annual Report was \$354,542 which was below the required minimum amount of \$500,000. The unrestricted net asset amount of \$354,542 was also disclosed in Note 13 of The Good News Broadcasting Association’s (TGNBA’s) Notes to the Consolidated Financial Statements as of June 30, 2004 and 2003. The 2003 and 2002 OIC Annual Reports also showed unrestricted net asset amounts which were below the required minimum amount of \$500,000.

RCW 48.38.010 states that, “The commissioner may grant a certificate of exemption to any insurer, or educational, religious, charitable, or scientific institution conducting a charitable gift annuity business: (6) Which has and maintains minimum unrestricted net assets of five hundred thousand dollars.” Therefore, BBF did not comply with RCW 48.38.010(6), because it did not maintain the required minimum unrestricted net assets during the three year period under examination.

BBF is instructed to comply with RCW 48.38.010(6) by maintaining the required \$500,000 of unrestricted net assets.

COMMENTS AND RECOMMENDATIONS

There were no comments or recommendations made in this examination report.

ORGANIZATION PROFILE

History: BBF, formerly known as Back to the Bible Supporters, Inc., is a not-for-profit corporation. It was incorporated in the state of Nebraska on September 12, 1958 and has operated continuously since that time. BBF is a separate corporate entity and a wholly-owned subsidiary of TGNBA. The Board of Trustees (BOT) of BBF is elected by the

BOT of TGNBA. BBF raises funds for TGNBA which pays all of BBF's operating expenses.

Territory and Plan of Operation: On December 6, 2002, the OIC granted BBF a Certificate of Exemption to conduct a CGAB in the state of Washington. There were 1,988 in-force annuity contracts as of June 30, 2004. Thirty-three annuity contracts were issued to residents of the state of Washington.

On April 2, 2004, the OIC entered an order suspending the certificate of exemption. The basis for the suspension was BBF's failure to maintain the minimum unrestricted net assets of five hundred thousand dollars, which is a violation of RCW 48.38.010(6). (See INSTRUCTION No. 2)

Total Net Assets: BBF's total net assets as of June 30, 2004 were \$696,332. This amount included an unrestricted net asset of \$354,542. So, the minimum unrestricted net asset requirement pursuant to RCW 48.38.010(6) was not satisfied as of June 30, 2004. (See INSTRUCTION No. 2)

Growth: The growth of BBF for the past three years is reflected in the following schedules. All information was compiled from BBF's financial statements as of fiscal years ending June 30.

Schedule 1 – Statement of Financial Position

Fiscal Year	Total Net Assets Allocated Into:					
	Assets	Liabilities	Total Net Assets	Unrestricted	Temporarily Restricted	Permanently Restricted
2004	\$15,815,871	\$15,119,539	\$696,332	\$354,542	\$341,790	\$0
2003	15,603,472	15,440,206	163,266	51,130	112,136	0
2002	14,771,281	14,342,523	428,758	295,711	133,047	0

Schedule 2 – Statement of Activities and Changes in Net Assets

	2004	2003	2002
Revenues and gains	\$972,018	\$839,484	\$(668,949)
Expenses	438,952	1,104,976	947,524
Increase (decrease) in net assets	533,066	(265,492)	(1,616,473)
Net assets at beginning of period	163,266	428,758	2,045,231
Net assets at end of year	\$696,332	\$163,266	\$428,758
Number of gift annuity contracts at end of year	1,988	2,054	2,050

AFFILIATED ORGANIZATION

BBF is a wholly-owned and controlled subsidiary of TGNBA. TGNBA is a worldwide service ministry that uses various media venues such as radio, literature, video,

counseling, and mission outreach to spread the Gospel of Christ through the teachings of the Bible.

MANAGEMENT AND CONTROL

Management: Responsibility for governing BBF is vested in a BOT elected by TGNBA. BBF Articles of Incorporation and Bylaws may be amended by a majority vote of the Trustees, provided that the amendment is approved by the president of TGNBA.

Board of Trustees: Members included:

Doug Alford, First Vice President, TierOne Bank
Suzy Carter, Back to the Bible Presidential Advancement Team Officer
Cynthia Milligan, Dean of the College of Business Administration, University of
Nebraska - Lincoln
Charlie Preuss, Principal, CFP Associates
Byron Swanson, Director of Stewardship, President of Back to the Bible Foundation
Tom Teckmeyer, President, Teckmeyer Financial Services
Jim Titus, Attorney at Law, Morris & Titus
Ned Tucker, CFO of The Good News Broadcasting Association, Inc.

Officers: In accordance with the Bylaws, the officers of BBF are a president, one or more vice presidents, a secretary, and a treasurer. The officers are elected by the Board of Trustees. The officers included:

Bryon Swanson, President
Ned Tucker, Vice President and Treasurer
Gene Hobelman, Secretary

Tax Status: BBF is a not-for-profit corporation holding tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

Conflict of Interest: BBF's and TGNBA's Conflict of Interest Policy requires all BOT, officers and staff to review and confirm their board memberships and any affiliations which might require disclosure as a dual interest. Management regularly reviews BOT and key employee relationships for any potential conflict of interest or dual interest. No exceptions were noted.

CORPORATE RECORDS

The BOT meets once a year, and the BOT's Investment Committee meets at least seven times a year, to discuss pertinent business. Minutes of the meetings of the trustees documented the approval of BBF's transactions and events. No exceptions were noted.

STATEMENT OF ACTUARIAL OPINION

A consulting actuary with Milliman, Inc. determined the adequacy of the annuity reserves. In the Statement of Actuarial Opinion, the actuary affirmed he is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion. His opinion indicates that BBF's annuity contract reserves adequately provide for the outstanding annuities.

ANNUITY ASSETS CUSTODIAL FUNCTION

The assets of the separate reserve fund were held and physically segregated from the other assets of BBF as required by RCW 48.38.020(2). Investments were recorded at fair value and consisted of cash equivalents, money market funds, bonds, and stocks.

SUBSEQUENT EVENTS

There were no material events which impacted BBF's CGAB between the examination date and the last day of our field work.

ACCOUNTING RECORDS AND PROCEDURES

Except as noted in this report, the records and source documentation supported the data and amounts presented in the annual reports and financial statements.

FINANCIAL STATEMENTS

The following examination financial information summarizes the financial statements of BBF as of June 30, 2004. Please note that although BBF did not obtain permission from the OIC to present the 2004 Annual Report based on its fiscal year (See INSTRUCTION No. 1), the Financial Statements summarized below are based on BBF's fiscal year-end. Financial information as of the calendar year-ending December 31, 2004, could not be produced and provided by BBF.

Statement of Financial Position

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Adjusted Balance</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$756,141		\$756,141
Investments	804,106		804,106
CGA assets*	14,122,459		14,122,459
Other assets	133,165		133,165
Total Assets	<u>\$15,815,871</u>	<u>\$0</u>	<u>\$15,815,871</u>
<u>LIABILITIES</u>			
CGA reserves*	\$12,150,035		\$12,150,035
Other liabilities	2,969,504	0	2,969,504
Total Liabilities	<u>15,119,539</u>	<u>0</u>	<u>15,119,539</u>
<u>NET ASSETS</u>			
Unrestricted	354,542	0	354,542
Temporarily restricted	341,790		341,790
Permanently restricted			
Total Net Assets	<u>696,332</u>	<u>0</u>	<u>696,332</u>
Total Liabilities and Net Assets	<u>\$15,815,871</u>	<u>\$0</u>	<u>\$15,815,871</u>

*The distribution of the annuity assets and statutory reserves are based on the Statement of Actuarial Opinion as of December 31, 2004.

Statement of Financial Activity and Changes in Net Assets

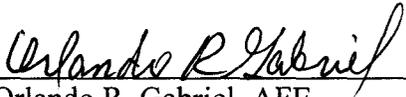
	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Adjusted Balance</u>
Total revenues	\$972,018	\$0	\$972,018
Total expenses	438,952	0	438,952
Increase (decrease) in net assets	533,066	0	533,066
Net assets at beginning of year	163,266		163,266
Net assets at end of year	<u>\$696,332</u>	<u>\$0</u>	<u>\$696,332</u>

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of BBF during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner; and John Gaynard, CPA, CFE, FLMI, Life and Disability Field Supervising Examiner; both from the Washington State Office of the Insurance Commissioner, participated in the examination and the preparation of this report.

Respectfully submitted,



Orlando R. Gabriel, AFE
Examiner-in-Charge
State of Washington

