

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



FINANCIAL EXAMINATION
of the Charitable Gift Annuity Business

of

**Young Women's Christian Association of Seattle-King
County- Snohomish County
Seattle, Washington**

DECEMBER 31, 2006

Order No. 08-22

Young Women's Christian Association
of Seattle-King Co-Snohomish Co
Exhibit A

SALUTATION

Seattle, Washington
March 7, 2008

The Honorable Mike Kreidler, Commissioner
Washington State Office of the Insurance Commissioner (OIC)
Insurance Building-Capitol Campus
302 Sid Snyder Avenue SW, Suite 200
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, an examination was made of the corporate affairs and financial records pertaining to the CGA business of

Young Women's Christian Association of Seattle-King County-Snohomish County

of

Seattle, Washington

hereinafter referred to as "YWCA" at its office, 1118 5th Avenue, Seattle, Washington 98101. This report of examination is respectfully submitted showing the condition of the CGA business of YWCA as of December 31, 2006.

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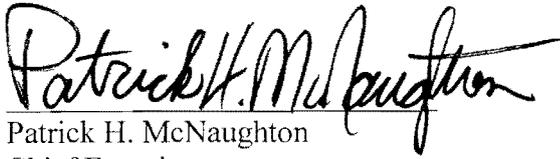
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CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of the Charitable Gift Annuity (CGA) business of Young Women's Christian Association of Seattle-King County-Snohomish County of Seattle, Washington. This report shows the financial condition of the CGA business and related corporate matters of Young Women's Christian Association of Seattle-King County- Snohomish County as of December 31, 2006.



Patrick H. McNaughton
Chief Examiner

3-07-2008

Date

SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2002 through December 31, 2006, the period during which YWCA has held a Certificate of Exemption from the OIC. The financial statements are presented on a consolidated basis for YWCA and its affiliates. However, the scope of our examination focused only on the transactions and operations of the CGA business. YWCA's records, along with various aspects of its operating procedures and financial reports, were reviewed and tested during the course of this examination as necessary to substantiate CGA reporting. The results of the examination are commented upon in the various sections of this report. In addition, YWCA'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 the 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 Seattle office of YWCA by examiners from the state of Washington.

INSTRUCTIONS

The examiners reviewed YWCA's CGA Annual Reports as part of the statutory examination. This review was performed to determine if YWCA completed the Annual Reports in accordance with the Annual Report Instructions published by the OIC and to verify that the organization'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. Accrued Liabilities – Reserves

RCW 48.38.020 requires an organization to establish and maintain a separate reserve fund adequate to meet the future payments under its charitable gift annuity contracts. The amount of the separate reserve fund shall include a surplus of ten percent (10%). YWCA maintained a separate reserve fund, but it did not include the surplus of 10% to the actuary's calculated reserve amount required by RCW 48.38.020(3)(c). As a result, the reported \$42,215 annuity liabilities were understated by \$4,222 as of December 31, 2006. Due to immateriality, no examination adjustment was necessary.

The YWCA is instructed to increase by an additional 10% the actuarial reserve calculated for the separate reserve fund in compliance with RCW 48.38.020(3).

2. Annual Report - Consolidated

The filing of the Annual Reports by YWCA did not conform to Chapter 48.38 RCW and the OIC Annual Report Instructions during the examination periods 2002 through 2006. Balances reported in the Annual Reports included the accounts of the YWCA and its affiliates, Young Women's Service Association of Seattle-King County, Dress for Success Seattle, and Summerfield Housing LLC. The OIC Annual Report Instructions specifically require that the Annual Report must be submitted only for the organization holding the certificate of exemption to issue annuities.

YWCA is instructed to comply with reporting requirements in accordance with RCW 48.38.010(10)(a) and the OIC Annual Report Instructions which require an Annual Report for the YWCA on a non-consolidated basis.

3. Entity Name Change

On November 17, 1995, YWCA changed its name from Young Women's Christian Association of Seattle-King County to Young Women's Christian Association of Seattle-King County-Snohomish County without notifying the OIC. This is in violation of RCW 48.38.010(7)(a) which requires that the organization file with the insurance commissioner its application for a certificate of exemption showing its name, location, and organization date. Annuities were issued using the new name in the contract without filing a revised contract form template with the OIC. This is in violation of RCW 48.38.010(9) which requires advance approval of any policy or contract form by the OIC.

YWCA is instructed to comply with RCW 48.38.010(7) by amending its certificate of exemption with the correct legal name of the organization and RCW 48.38.010(9) by filing an updated contract form template with the OIC.

COMMENTS AND RECOMMENDATIONS

1. Custodial Statement

YWCA has an investment custodial account with Charles Schwab. The name on the account is "YWCA CGA Account," which is not its legal name. Because of this, assets in this account could inadvertently be withdrawn by other YWCA entities.

It is recommended that YWCA of Seattle-King County-Snohomish County safeguard its assets by correcting the name on the custodial statement to YWCA of Seattle-King County-Snohomish County CGA Account, the legal name of the entity.

ORGANIZATION PROFILE

History: YWCA was organized in 1894. YWCA is an association whose objective is to advance the quality of life for women and their families.

Territory and Plan of Operation: On March 27, 1992, OIC granted the YWCA a Certificate of Exemption Number 38 to conduct a CGA business in the state of Washington. There were three in-force annuity contracts as of December 31, 2006. All of the three annuity contracts were issued to residents of the state of Washington.

Total Net Assets: YWCA's total net assets as of December 31, 2006 were \$59,915,278 consisting of \$44,393,707 unrestricted net assets and \$15,521,571 restricted assets. The minimum unrestricted net asset requirement pursuant to RCW 48.38.010(6) was satisfied as of December 31, 2006.

Growth: The growth of YWCA for the past four years is reflected in the following schedules. All information was compiled from YWCA's audited financial statements.

Schedule 1 – Statement of Financial Position

Fiscal Year	Assets	Liabilities	Total Net Assets	Total Net Assets Allocated Into:		
				Unrestricted	Temporarily Restricted	Permanently Restricted
2006	\$69,025,391	\$9,110,113	\$59,915,278	\$44,393,707	\$10,382,930	\$5,138,641
2005	64,502,536	8,280,062	56,222,474	39,047,461	12,249,632	4,925,381
2004	54,621,269	4,542,683	50,078,586	34,222,301	11,120,815	4,735,470
2003	54,277,476	4,907,004	49,370,472	31,777,103	12,029,619	5,563,750
2002	53,686,041	8,248,617	45,437,424	25,133,995	15,669,167	4,634,262

Schedule 2 – Statement of Activities and Changes in Net Assets

	2006	2005	2004	2003	2002
Support and revenues	\$22,952,804	\$22,193,435	\$20,156,553	\$27,761,263	\$24,323,435
Expenses	21,817,572	21,146,645	19,840,268	20,900,304	20,008,636
Nonoperating activities	2,557,572	4,917,562	1,341,829		
Increase (decrease) in net assets	3,692,804	5,964,352	1,658,114	6,860,959	4,314,799
Intercompany loan				(2,927,911)	
Prior period adjustment		179,536	(950,000)		
Net assets at beginning of year	56,222,474	50,078,586	49,370,472	45,437,424	41,122,625
Net assets at end of year	\$59,915,278	\$56,222,474	\$50,078,586	\$49,370,472	\$45,437,424

Number of gift annuity contracts at end of year	3	3	3	2	2
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AFFILIATED ORGANIZATIONS

YWCA affiliates consist of:

Young Women's Service Association of Seattle-King County – formed to renovate the single-room occupancy facilities of floors five through eight of the facility located at 1118 Fifth Avenue in Seattle.

Dress for Success Seattle – Washington non-profit organization that provides career development to low income women.

Summerfield Housing LLC – created to purchase and hold real property to be used for affordable housing.

Family Village Limited Partnership – YWCA and two other partners formed this to purchase the Family Village transitional housing. YWCA is the general partner with a 1% interest in income and losses, and a 54.97% interest in capital events.

Angeline's LLC – formed to own floors 3 through 7 of the YWCA Opportunity Place building. YWCA is the managing partner with a .01% interest in income, losses and capital events.

MANAGEMENT AND CONTROL

Management: According to the Articles of Incorporation and Bylaws, management of all the affairs of YWCA is vested in a Board of Directors (BOD) consisting of up to forty-two elected members and additional ex-officio members as needed in accordance with the Bylaws. The election of the BOD members is conducted at the annual meeting and the term of office is three years.

Board of Directors: The BOD as of December 31, 2006:

Charlene Blethen	Martha Mayes Boes	Bobbe Bridge
Sonya Campion	Cheryl Chow	Marianna Conner
Maryann Crissey	Ellen Conedera Dial	Bob Drewel
Jean Enersen	Mary Anne Eng	Barbara Fahey
Patti Fersch	Mimi Gardner Gates	Molly Hanlon
Pam Harkins	Kandance Holley	Elise Horner
Christal Jenkins	Jonelle Johnson	Leslie Jones
Marlaina Kiner-McIver	Kaycee Krysty	Sandra Madrid
Susan Mask	Elizabeth N. McCaw	Charles Mitchell
Barbara S. Morgan	Betsy Moseley	Carol Nelson
Jeannie Nordstrom	Nina Odell	Cynthia Parker
Sharon Rowley	Jill Ruckelshaus	Alice Sandstrom
Jan Sinegal	Mary E. Snapp	Phyllis Stark
Jon Valaas	Wende Wahl	Deborah Willingham
Sue Sherbrooke*	Rita Ryder*	

*Ex-Officio

Officers: The officers as of December 31, 2006:

Barbara Fahey – Board Chair
Ellen Dial – Secretary
Mary Snapp - Treasurer

Tax Status: YWCA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Conflict of Interest: YWCA requires its BOD members to disclose any conflict of interest by signing conflict of interest statements and board ethics statements. BOD conflict of interest statements are administered by the CEO. No exceptions were noted.

CORPORATE RECORDS

The BOD meets once a month to discuss any business which is pertinent to YWCA. BOD meeting minutes documented the approval of YWCA's transactions and events. No exceptions were noted.

STATEMENT OF ACTUARIAL OPINION

A consulting actuary with Milliman Inc., reviewed the adequacy of the annuity reserves and issued a Statement of Actuarial Opinion (SAO) which stated that he is a member of the American Academy of Actuaries and meets its qualification standards. The SAO indicated that YWCA's annuity contract reserves as computed under RCW 48.38.020(3)(a) and (b) of the Washington Insurance Code should be \$42,215. This amount did not include the 10% surplus required by RCW 48.38.020(3)(c). (See Instruction No. 1)

ANNUITY ASSETS CUSTODIAL FUNCTION

The separate reserve fund assets were held legally and physically segregated from the other assets of YWCA as required by RCW 48.38.020(2). The market value of the annuity investments as of December 31, 2006 was \$193,209. The annuity investments consisted of money market funds and were properly reported in the financial statements at market value.

SUBSEQUENT EVENTS

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

ACCOUNTING RECORDS AND PROCEDURES

The records and source documentation supported the data and amounts presented in the annual reports and financial statements.

FINANCIAL STATEMENTS

The following financial information summarizes the financial statements of YWCA as of December 31, 2006:

**YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF
SEATTLE-KING COUNTY-SNOHOMISH COUNTY
STATEMENTS OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2006**

	Balance Per Annual Report	Examination Adjustments	Adjusted Balance
ASSETS			
Cash and cash equivalents	\$2,207,036		\$2,207,036
Investments	26,490,319		26,490,319
CGA Assets	193,209		193,209
Other Assets	40,134,827		40,134,827
Total Assets	<u>\$69,025,391</u>		<u>\$69,025,391</u>
LIABILITIES			
CGA Reserves	\$42,215		\$42,215
Other Liabilities	9,067,898		9,067,898
Total Liabilities	9,110,113		9,110,113
NET ASSETS & EQUITY			
Unrestricted	44,393,707		44,393,707
Temporarily restricted	10,382,930		10,382,930
Permanently restricted	<u>5,138,641</u>		<u>5,138,641</u>
Total Net Assets	59,915,278		59,915,278
Total Liabilities and Net Assets	<u>\$69,025,391</u>		<u>\$69,025,391</u>

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

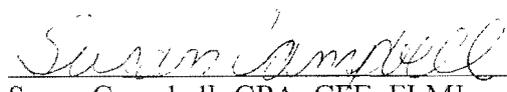
	Balance Per Annual Report	Examination Adjustments	Adjusted Balance
Total revenues	\$25,510,376		\$25,510,376
Total expenses	<u>21,817,572</u>		<u>21,817,572</u>
Increase (decrease) in net assets	3,692,804		3,692,804
Net assets at beginning of year	56,222,474		56,222,474
Changes in net assets per examination			
Net assets at end of year	<u>\$59,915,278</u>		<u>\$59,915,278</u>

ACKNOWLEDGMENT

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

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner, from the Washington State Office of the Insurance Commissioner, participated in the examination and the preparation of this report.

Respectfully submitted,



Susan Campbell, CPA, CFE, FLMI
Examiner-in-Charge
State of Washington

