

**STATE OF WASHINGTON
OFFICE OF INSURANCE
COMMISSIONER**



FINANCIAL EXAMINATION
of the Charitable Gift Annuity Business
of
Jewish Federation of Greater Seattle
Seattle, Washington
June 30, 2008

Order No. 10-203
Jewish Federation of Greater Seattle
Exhibit A

SALUTATION

Seattle, Washington
November 3, 2010

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 charitable gift annuity (CGA) business of

Jewish Federation of Greater Seattle

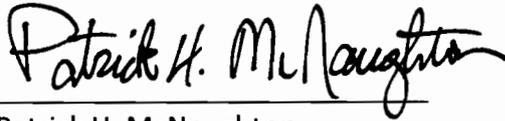
of

Seattle, Washington

hereinafter referred to as "JFGS" at its office, 2031 Third Avenue, Seattle, Washington 98121. This report of examination is respectfully submitted showing the condition of the CGA business of JFGS as of June 30, 2008.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of the Charitable Gift Annuity business of Jewish Federation of Greater Seattle of Seattle, Washington. This report shows the financial condition of the CGA business and related corporate matters of Jewish Federation of Greater Seattle as of June 30, 2008.



Patrick H. McNaughton
Chief Examiner

11-3-10

Date

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SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2004 through December 31, 2008. The 2008 Annual Report reflected the balance sheet and statement of revenue and expenses of JFGS as of June 30, 2008. The OIC granted permission to JFGS to present its CGA Annual Report as of its fiscal year ended June 30, 2008. The examination of the 2008 Annual Report, therefore, covers the period ending June 30, 2008 for the balance sheet and statement of revenue and expenses sections, and the period ending December 31, 2008 for the general interrogatories and charitable gift annuities reserve fund, and other applicable financial activities as deemed necessary. The scope of our examination focused only on the transactions and operations of the CGA business.

JFGS'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 business reporting. The results of the examination are commented upon in the various sections of this report.

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).

INSTRUCTIONS

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

The filing of the OIC Annual Reports by JFGS did not conform to Chapter 48.38 RCW and the OIC Annual Report Instructions during the examination period 2004 through 2008. Balances reported in the OIC Annual Reports included the accounts of JFGS, its wholly owned subsidiary, Seattle Jewish Transcript and investment funds of other business-related entities in the Seattle area. JFGS is the holder of Certificate of Exemption No. 228. 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. Examination adjustments were made to remove account balances

belonging to the affiliates, thereby, reflecting only the financial statements of JFGS in accordance with the OIC Annual Report Instructions. Adjustments to the 2008 Annual Report resulted in aggregate decreases in total assets of \$23,204,031, total liabilities of \$4,019,364, and total net assets of \$19,184,667. (See Financial Statements.)

JFGS is instructed to comply with reporting requirements in accordance with RCW 48.38.010(10)(a) and the OIC Annual Report Instructions and only include the exemption holder in the numbers reported to the OIC.

2. Assets of the Separate Reserve Fund

JFGS was not in compliance with the requirements stipulated in RCW 48.38.020(2)(a). The assets of the annuity reserve fund were not held legally and physically segregated from the other assets of JFGS.

JFGS is instructed per RCW 48.38.020(2)(a) to maintain a separate investment account for charitable gift annuity business.

COMMENTS AND RECOMMENDATIONS

NONE

ORGANIZATION PROFILE

History

JFGS is a nonprofit, charitable institution established in 1926 to ensure a Jewish community that is connected locally, in Israel, and worldwide.

Territory and Plan of Operation

On March 4, 2004, the OIC granted JFGS a Certificate of Exemption No. 228 to conduct a CGA business in the state of Washington. There were seven in-force annuity contracts as of December 31, 2008, all issued to residents of the state of Washington.

Total Net Assets

JFGS's total net assets as of June 30, 2008 were \$39,923,824 (including examination adjustments). This amount included an unrestricted net asset of \$28,056,041. The minimum unrestricted net asset requirement was satisfied pursuant to RCW 48.38.010(6).

Growth

The growth of JFGS for the past five years is reflected in the following schedules. All information was compiled from JFGS's audited financial statements as of fiscal year ending June 30.

Schedule 1 – Statement of Financial Position

Fiscal Year	Assets	Liabilities	Total Net Assets	Total Net Assets Allocated Into:		
				Unrestricted	Temporarily Restricted	Permanently Restricted
*2008	\$46,477,922	\$6,554,098	\$39,923,824	\$28,056,041	\$11,150,026	\$717,757
2007	74,242,429	9,211,321	65,031,108	51,467,182	12,846,169	717,757
2006	69,356,091	9,419,049	59,937,042	50,427,306	8,514,979	994,757
2005	67,951,784	10,493,172	57,458,612	50,205,398	6,654,125	599,089
2004	63,734,310	14,230,522	49,503,788	43,190,803	5,493,600	819,385

Schedule 2 – Statement of Activities and Changes in Net Assets

	*2008	2007	2006	2005	2004
Total revenues	\$8,187,606	\$17,675,021	\$13,982,082	\$20,478,162	\$17,338,547
Total expenses	11,612,691	12,853,496	12,403,513	12,085,764	10,137,122
Adjustment		272,541	899,861	437,574	2,258,078
Increase (decrease) in net assets	(3,425,085)	5,094,066	2,478,430	7,954,824	9,459,503
Net assets at beginning of year	43,348,909	59,937,042	57,458,612	49,503,788	40,044,285
Net assets at end of year	\$39,923,824	\$65,031,108	\$59,937,042	\$57,458,612	\$49,503,788

*The 2008 balances include examination adjustments. (See Financial Statements.)

AFFILIATED ORGANIZATIONS

JFGS's affiliates include a wholly owned subsidiary, Seattle Jewish Transcript, a corporation which publishes the JT News newspaper, and various supporting foundations.

MANAGEMENT AND CONTROL

Management

JFGS's property and business are governed by a Board of Directors (BOD). The directors are elected by the Board for a term of three years and may be re-elected to two additional consecutive three-year terms. All directors have full voting rights.

Board of Directors

The BOD as of June 30, 2008:

Todd Alberstone	David Ellenhorn	Stephen Loeb
Jerry Anches	Don Etsekson	Scott Michelson
Norman Behar	Tammy Federman	Naomi Newman
Shelley Bensussen	Lisa Fein	Ann Nieder
Carl Bianco	Barrie Galanti	Peter Rettman
Robin Boehler	Carol Gown	Neil Ross
Ed Bridge	Steve Hemmat	Brian Schultz
Andrew Cohen	Patty Lazarus	Tana Senn
Shelly Cohen	Ron Leibsohn	Iantha Sidell
Rob Dolin	Dianne Loeb	David Stiefel

Officers

Officers as of June 30, 2008:

Robin Boehler, President and Board Chair
Carol Gown, Vice President
Patty Lazarus, Vice President
Stephen Loeb, Vice President
Tana Senn, Vice President
David Ellenhorn, Secretary
David Stiefel, Treasurer

Tax Status

JFGS is a tax-exempt charitable, religious, educational and scientific organization under Section 501(c)(3) of the Internal Revenue Code.

Conflict of Interest

The members of the BOD and officers are required to abide by the Conflict of Interest Provision as stated in JFGS's Bylaws, Article XVIII, Section 3. No trustee or officer is disqualified from holding any office by reason of any interest, but any conflict of interest must be made known to the corporation at the earliest practical time. There were no exceptions noted.

ORGANIZATION RECORDS

The BOD meets four times a year to discuss any business which is pertinent to JFGS. BOD meeting minutes documented the approval of JFGS'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. The SAO indicated that JFGS's annuity contract reserves as computed under RCW 48.38.020(3)(a) and (b) were adequate for seven contracts as of December 31, 2008.

ANNUITY ASSETS CUSTODIAL FUNCTION

The separate reserve fund assets were not held legally and physically segregated from the other assets of JFGS as required by RCW 48.38.020(2). They were pooled with other investments of JFGS as well as other business related entities. (See Instruction No. 2.)

SUBSEQUENT EVENTS

NONE

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 information summarizes the financial statements of JFGS. (All numbers were obtained from the audited financial statements.)

JEWISH FEDERATION OF GREATER SEATTLE
Statement of Financial Position
June 30, 2008

	<u>Balance per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>	<u>Notes</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$591,916	(\$144,416)	\$447,500	1
Investments	58,664,585	(19,574,928)	39,089,657	1
CGA investments	242,431		242,431	
Audit adjustment	3,097,832	(3,097,832)	0	2
Other assets	7,085,189	(386,855)	6,698,334	1
Total Assets	<u>\$69,681,953</u>	<u>(\$23,204,031)</u>	<u>\$46,477,922</u>	
<u>LIABILITIES</u>				
Annuities payable	\$121,755		\$121,755	
Other payables	10,451,707	(\$4,019,364)	6,432,343	1
Total Liabilities	<u>10,573,462</u>	<u>(4,019,364)</u>	<u>6,554,098</u>	
<u>NET ASSETS</u>				
Unrestricted	45,752,299	(17,696,258)	28,056,041	1
Temporarily restricted	13,020,976	(1,870,950)	11,150,026	1
Permanently restricted	335,216	382,541	717,757	
Total Net Assets	<u>59,108,491</u>	<u>(19,184,667)</u>	<u>39,923,824</u>	
Total Liabilities and Net Assets	<u>\$69,681,953</u>	<u>(\$23,204,031)</u>	<u>\$46,477,922</u>	

JEWISH FEDERATION OF GREATER SEATTLE
Statement of Activities and Changes in Net Assets
For Fiscal Year Ended June 30, 2008

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>	<u>Notes</u>
Total revenues	\$7,865,055	\$322,551	\$8,187,606	1
Total expenses	<u>13,225,557</u>	<u>(1,612,866)</u>	<u>11,612,691</u>	1
Increase (decrease) in net assets	(5,360,502)	1,935,417	(3,425,085)	
Audit adjustment	(562,115)	562,115	0	2
Net assets at beginning of year	<u>65,031,108</u>	<u>(21,682,199)</u>	<u>43,348,909</u>	
Net assets at end of year	<u><u>\$59,108,491</u></u>	<u><u>(\$19,184,667)</u></u>	<u><u>\$39,923,824</u></u>	

Notes to Financial Statements

1. To eliminate the financial information of the Seattle Jewish Transcript and the investment funds of other business-related entities in the Seattle area.
2. To adjust the audited financial information to the information reported to the OIC.

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of JFGS 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,

A handwritten signature in cursive script that reads "Susan Campbell". The signature is written in black ink and is positioned above a horizontal line.

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

AFFIDAVIT

STATE OF WASHINGTON }
} ss
COUNTY OF KING }

Susan Campbell, being duly sworn, deposes and says that the foregoing report subscribed by her is true to the best of her knowledge and belief.

She attests that the examination of JFGS's CGA business was performed in a manner consistent with the standards and procedures required or prescribed by the Washington State Office of the Insurance Commissioner and the National Association of Insurance Commissioners (NAIC).

Susan Campbell

Susan Campbell, CPA, CFE, FLMI, ARA
Life Field Supervising Examiner
State of Washington

Subscribed and sworn to before me on this 3rd day of November, 2010.

Colleen Jansen

Notary Public in and for the
State of Washington,
Residing at Seattle.

