

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION
OF THE CHARITABLE GIFT ANNUITY BUSINESS
OF
SEATTLE SYMPHONY FOUNDATION
SEATTLE, WASHINGTON

AUGUST 31, 2013

Order No. 14-169
Seattle Symphony Foundation
Exhibit A

SALUTATION

Seattle, Washington
June 11, 2014

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 (CGA) Business, an examination was made of the corporate matters and financial records pertaining to the CGA Business of

Seattle Symphony Foundation
of
Seattle, Washington

hereinafter referred to as "SSF" at its office, 200 University Street, Seattle, WA 98101. This report of examination is respectfully submitted showing the financial condition and related corporate matters of the CGA business of SSF as of August 31, 2013.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of the Charitable Gift Annuity Business of Seattle Symphony Foundation of Seattle, Washington. This report shows the financial condition of the CGA business and related corporate matters of Seattle Symphony Foundation as of August 31, 2013.



Patrick H. McNaughton
Chief Examiner

9-3-14

Date

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SCOPE OF THE EXAMINATION

The examination covers the period September 1, 2008 through August 31, 2013. The scope of our examination focused only on the transactions and operations of the CGA business. SSF'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. In addition, SSF's August 31, 2013 audited financial statements were reviewed and utilized 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 SSF by financial examiners from the state of Washington.

The financial examiners reviewed SSF's CGA OIC Annual Reports as part of the statutory examination. This review was performed to determine if SSF completed the OIC Annual Reports in accordance with the OIC Annual Report Instructions and to verify that SSF's accounts and records were prepared and maintained in accordance with RCW 48.38.010(10)(a).

INSTRUCTIONS

None

COMMENTS AND RECOMMENDATIONS

1. Conflict of Interest Policy

SSF does not have a conflict of interest policy.

It is recommended that the SSF implement a conflict of Interest policy and develop a standard conflict of interest statement. Key employees should be required to review the policy and submit a signed statement on an annual basis.

ORGANIZATION PROFILE

History

SSF is a Washington nonprofit, charitable organization established in 1987. On November 28, 2007, the OIC approved the Certificate of Exemption (No. 500249) for SSF to conduct a CGA business in the state of Washington. The Seattle Symphony Orchestra (SSO), an affiliate, had previously held a valid Certificate of Exemption (No. 129), which was surrendered to the state on May 13, 2008. All 16 CGAs administered by SSO were transferred to SSF with the express approval of the annuitants.

Territory and Plan of Operation

On November 28, 2007, the OIC granted SSF a Certificate of Exemption No. 500249 to conduct a CGA business in the state of Washington. There were 11 in-force annuity contracts as of August 31, 2013, and all 11 were issued to residents of the state of Washington.

Total Net Assets

SSF's total net assets as of August 31, 2013 were \$25,988,796. This amount included unrestricted net assets of \$5,901,094. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

Growth

The growth of SSF for the past five years is reflected in the following schedules:

Schedule 1 – Statement of Financial Position

Fiscal Year	Assets	Liabilities	Total Net Assets	Total Net Assets Allocated Into:		
				Unrestricted	Temporarily Restricted	Permanently Restricted
2013	\$26,209,339	\$220,543	\$25,988,796	\$5,901,094	\$460,113	\$19,627,589
2012	25,836,598	213,401	25,623,197	5,567,668	489,954	19,565,575
2011	26,064,288	223,585	25,840,703	5,277,334	501,520	20,061,849
2010	24,450,501	280,042	24,170,459	(1,367,663)	522,850	25,015,272
2009	24,489,327	291,300	24,198,027	(881,160)	517,733	24,561,454

Schedule 2 – Statement of Activities and Changes in Net Assets

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total revenues	\$704,807	\$2,312,489	\$2,400,791	\$1,582,336	(\$4,360,898)
Total expenses	339,208	137,375	149,042	129,207	131,931
Transfers from (to) other funds	0	(2,392,620)	(\$581,505)	(\$1,480,697)	(\$1,394,710)
Increase (decrease) in net assets	365,599	(217,506)	1,670,244	(27,568)	(5,887,539)
Net assets at beginning of year	25,623,197	25,840,703	24,170,459	24,198,027	30,085,566
Net assets at end of year	\$25,988,796	\$25,623,197	\$25,840,703	\$24,170,459	\$24,198,027

Number of gift annuity contracts	11	11	11	16	16
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AFFILIATED ORGANIZATIONS

SSF's affiliates include: the Seattle Symphony Orchestra (SSO) and Benaroya Hall Music Center (BHMC), which are separate Washington nonprofit corporations. SSO was formed in 1928 to sponsor a symphony orchestra, present musical concerts, and promote the education and the appreciation of classical music. BHMC was formed in 1995 to manage the development of the new concert hall, and to maintain, operate, and present events at Benaroya Hall.

MANAGEMENT AND CONTROL

Management

Members of the Board of Directors (BOD) serve as advisors to SSF. The current BOD is made up of six members. Members of the BOD are elected for a term of three years and may be re-elected upon approval.

Board of Directors

Directors as of August 31, 2013:

Leslie Chihuly, Board Chair
J. Pierre Loebel
Girish Nair
Laurel Nesholm
Rick White
V. Woolsten

Officers

Officers as of August 31, 2013:

Jean-Francois Heitz, President
Kathleen Wright, Vice President
Michael Slonski, Treasurer
Irwin Treiger, Secretary

Tax Status

SSF is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Conflict of Interest

SSF does not have a conflict of interest policy.

ORGANIZATION RECORDS

The BOD meets four times a year to discuss any business which is pertinent to SSF. BOD meeting minutes documented the approval of SSF's transactions and events. No exceptions were noted.

SEPARATE RESERVE FUND (SRF)

SSF's separate reserve fund was reviewed and found to be in compliance with RCW 48.38.020(2)(a) which requires the SRF assets to be held legally and physically segregated from the other assets of SSF, and RCW 48.38.010(10)(b) which requires an actuarial opinion to be issued by a qualified actuary relating to annuity reserves. In addition, SSF was in compliance with RCW 48.38.020(3)(c) which requires SSF to maintain a SRF balance equal to the actuarial calculation for annuity reserves plus a 10 percent surplus. No exceptions were noted.

SUBSEQUENT EVENTS

There were no additional material events which impacted SSF 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 SSF's annual reports and financial statements.

FINANCIAL STATEMENTS

The following financial statements show the financial condition of SSF as of August 31, 2013:

Statement of Financial Position

Statement of Activities and Changes in Net Assets

Seattle Symphony Foundation
Statement of Financial Position
August 31, 2013

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>	<u>Note</u>
Assets				
Cash and cash equivalents	\$64,218	\$0	\$64,218	
CGA Investments	276,976		276,976	
Investments	25,236,104		25,236,104	
Other assets	632,041		632,041	
Total Assets	<u>\$26,209,339</u>	<u>\$0</u>	<u>\$26,209,339</u>	
Liabilities and Net Assets				
Accounts and other payables	\$16,100	\$0	\$16,100	
CGA liabilities	204,443		204,443	
Other liabilities			-	
Total Liabilities	<u>220,543</u>	<u>0</u>	<u>220,543</u>	
Net Assets				
Unrestricted	5,958,326	(57,232)	5,901,094	1
Temporarily restricted	465,834	(5,721)	460,113	1
Permanently restricted	19,564,636	62,953	19,627,589	1
Total Net Assets	<u>25,988,796</u>	<u>0</u>	<u>25,988,796</u>	
Total Liabilities and Net Assets	<u>\$26,209,339</u>	<u>\$0</u>	<u>\$26,209,339</u>	

Seattle Symphony Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2013

	Balance Per Annual Report	Examination Adjustments	Balance Per Examination	Note
Total revenues	\$604,808	\$99,999	\$704,807	1
Total expenses	239,209	99,999	339,208	1
Increase (decrease) in net assets	365,599	0	365,599	
Net assets at beginning of year	25,623,197	-	25,623,197	
Net assets at end of year	\$25,988,796	\$0	\$25,988,796	

NOTES TO THE FINANCIAL STATEMENTS

1. To reflect the certified public accountant's (CPA) audit adjustments made after the OIC Annual Report filing.

ACKNOWLEDGMENT

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

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner, Susan Campbell, CPA, CFE, FLMI, ARA, and Albert Karau Jr., CPA, CFE, FLMI all from the Washington State Office of the Insurance Commissioner, participated in the examination and in the preparation of this report.

Respectfully submitted,

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

Charles M. Kreske, AFE
Financial Examiner
State of Washington

