

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION
OF THE CHARITABLE GIFT ANNUITY BUSINESS
OF
COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
VANCOUVER, WASHINGTON
DECEMBER 31, 2013

Order No. 15-161
Community Foundation for Southwest Washington
Exhibit A

SALUTATION

Seattle, Washington
April 27, 2015

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 matters and financial records pertaining to the charitable gift annuity (CGA) business of

Community Foundation for Southwest Washington
of
Vancouver, Washington

hereinafter referred to as "CFSWW". The examination was performed from our OIC office located at 810 Third Avenue, Suite 650, Seattle, WA 98104. All of the information and supporting documentation required to perform this examination were requested via email and sent electronically to our office. This report of examination is respectfully submitted showing the financial condition and related corporate matters of the CGA business of CFSWW as of December 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 Community Foundation for Southwest Washington of Vancouver, Washington. This report shows the financial condition of the CGA business and related corporate matters of Community Foundation for Southwest Washington as of December 31, 2013.

Patrick H. McNaughton

Patrick H. McNaughton
Chief Examiner

6-26-15

Date

TABLE OF CONTENTS

SCOPE OF THE EXAMINATION	1
INSTRUCTIONS	1
COMMENTS AND RECOMMENDATIONS.....	1
ORGANIZATION PROFILE	1
History	1
Territory and Plan of Operation	1
Total Net Assets.....	1
Growth.....	2
AFFILIATED ORGANIZATIONS	2
MANAGEMENT AND CONTROL	2
Management	2
Board of Directors	2
Officers	3
Tax Status.....	3
Conflict of Interest.....	3
ORGANIZATION RECORDS	3
SEPARATE RESERVE FUND	3
SUBSEQUENT EVENTS.....	3
ACCOUNTING RECORDS AND PROCEDURES	4
FINANCIAL STATEMENTS	4
Statement of Financial Position.....	5
Statement of Activities and Changes in Net Assets.....	6
NOTES TO THE FINANCIAL STATEMENTS	6
ACKNOWLEDGMENT.....	7
AFFIDAVIT	8

SCOPE OF THE EXAMINATION

The examination covers the period January 1, 2009 through December 31, 2013. The scope of our examination focused only on the transactions and operations of the CGA business. CFSWW'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).

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

INSTRUCTIONS

NONE

COMMENTS AND RECOMMENDATIONS

NONE

ORGANIZATION PROFILE

History

CFSWW was incorporated on August 18, 1983. The CFSWW is a charitable grant-making organization that provides support to nonprofit organizations by providing fundraising to further charitable, educational, and scientific activities primarily in and for the benefit of the citizens of Southwest Washington.

Territory and Plan of Operation

On August 28, 1996, the OIC granted CFSWW a Certificate of Exemption No. 89 to conduct a CGA business in the state of Washington. There were 8 in-force annuity contracts as of December 31, 2013.

Total Net Assets

CFSWW's total net assets as of December 31, 2013 were approximately \$77 million. This amount included unrestricted net assets of approximately \$68 million. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

Growth

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

Schedule 1 – Statement of Financial Position

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Total Net Assets</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
2013	\$80,166,553	\$3,077,048	\$77,089,505	\$68,385,751	\$8,703,754	\$0
2012	62,321,268	3,291,909	59,029,359	57,722,430	1,306,929	0
2011	57,827,280	3,063,478	54,763,802	53,522,519	1,241,283	0
2010	60,827,236	2,922,594	57,904,642	55,704,910	2,199,732	0
2009	53,606,907	4,059,575	49,547,332	42,730,630	6,816,702	0

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	\$26,209,844	\$11,291,710	\$5,583,371	\$19,741,497	\$13,932,855
Total expenses	<u>8,149,698</u>	<u>7,026,153</u>	<u>8,724,211</u>	<u>11,384,187</u>	<u>3,977,948</u>
Increase (decrease) in net assets	18,060,146	4,265,557	(3,140,840)	8,357,310	9,954,907
Net assets at beginning of year	<u>59,029,359</u>	<u>54,763,802</u>	<u>57,904,642</u>	<u>49,547,332</u>	<u>39,592,425</u>
Net assets at end of year	<u>\$77,089,505</u>	<u>\$59,029,359</u>	<u>\$54,763,802</u>	<u>\$57,904,642</u>	<u>\$49,547,332</u>

Number of gift annuity contracts in force	8	8	8	9	9
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AFFILIATED ORGANIZATIONS

CFSWW organized Community Foundation for Southwest Washington Charitable LLC on December 11, 2012 for the purposes of accepting gifts of land and operating businesses and liquidating such gifts. Proceeds from the liquidated gifts are used to make charitable grants.

MANAGEMENT AND CONTROL

Management

According to the Amended & Restated Bylaws dated July 29, 2008, CFSWW is governed by a Board of Directors (BOD) consisting of not less than 15 and not more than 19 members. The officers of CFSWW consist of a chairperson, a vice chairperson, a president, a secretary, and a treasurer. The president directs and supervises the day to day business of CFSWW.

Board of Directors

Directors as of December 31, 2013:

Kaycee Wiita, Chair
Brett Bryant

Alberto Angelo III
Jody Campbell

Mark Dodson
Steven Hansen
Scott Keeney
Mark Matthias
Terry Prill
Scott South
Jim Youde

Marty Forsmann
Steve Hix
Vaughn Lein
David Nierenberg
David Ruiz
Rick Wollenberg
Candace Young

Officers

Officers as of December 31, 2013:

Kaycee Wiita, Chair
Brett Bryant, Vice Chair
Jennifer Rhoades, President
Jim Youde, Secretary
Steve Hansen, Treasurer

Tax Status

CFSWW is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income.

Conflict of Interest

Members of the BOD and key employees of CFSWW are required on an annual basis to disclose all actual, apparent, or potential conflicts of interest. Based on our review, no exceptions were noted.

ORGANIZATION RECORDS

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

SEPARATE RESERVE FUND

CFSWW's separate reserve fund (SRF) 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 CFSWW, 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, CFSWW was in compliance with RCW 48.38.020(3)(c) which requires CFSWW 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 CFSWW 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 CFSWW's annual reports.

FINANCIAL STATEMENTS

The following financial statements show the financial condition of CFSWW as of December 31, 2013:

Statement of Financial Position

Statement of Activities and Changes in Net Assets

**Community Foundation for Southwest Washington
Statement of Financial Position
December 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	\$ 717,920	\$ 0	\$ 717,920	
CGA investments	1,514,783		1,514,783	
Other investments	69,530,383		69,530,383	
Other assets	8,403,467		8,403,467	
Total Assets	<u>\$80,166,553</u>	<u>\$ 0</u>	<u>\$80,166,553</u>	
Liabilities and Net Assets				
CGA liabilities	\$1,001,393	\$ 0	\$1,001,393	
Other liabilities	2,075,655		2,075,655	
Total Liabilities	<u>3,077,048</u>	<u>0</u>	<u>3,077,048</u>	
Net Assets				
Unrestricted	65,765,487	2,620,264	68,385,751	1
Temporarily restricted	11,324,018	(2,620,264)	8,703,754	1
Total Net Assets	<u>77,089,505</u>	<u>0</u>	<u>77,089,505</u>	
Total Liabilities and Net Assets	<u>\$80,166,553</u>	<u>\$ 0</u>	<u>\$80,166,553</u>	

**Community Foundation for Southwest Washington
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013**

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>	<u>Note</u>
Total revenues	\$26,093,628	\$116,216	\$26,209,844	1
Total expenses	<u>8,033,482</u>	<u>116,216</u>	<u>8,149,698</u>	1
Increase (decrease) in net assets	18,060,146	0	18,060,146	
Net assets at beginning of year	<u>59,029,359</u>		<u>59,029,359</u>	
Net assets at end of year	<u>\$77,089,505</u>	<u>\$ 0</u>	<u>\$77,089,505</u>	

NOTES TO THE FINANCIAL STATEMENTS

Examination adjustments to the CFSWW's financial statements are as follows:

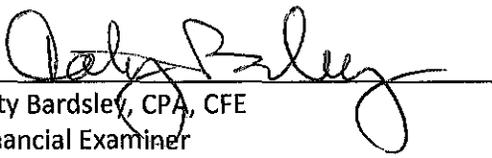
1. To reflect the certified public accountant's audit adjustments made after the 2013 OIC Annual Report filing.

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Community Foundation for Southwest Washington during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner and Tarik Subbagh, CPA, CFE, MSBA, Property & Casualty Field Supervising Examiner, both 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 black ink, appearing to read "Katy Bardsley", is written over a horizontal line.

Katy Bardsley, CPA, CFE
Financial Examiner
State of Washington

