

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION
OF THE CHARITABLE GIFT ANNUITY BUSINESS
OF
CENTRAL WASHINGTON HOSPITAL FOUNDATION
WENATCHEE, WASHINGTON

DECEMBER 31, 2013

EXHIBIT A

SALUTATION

Seattle, Washington
January 8, 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:

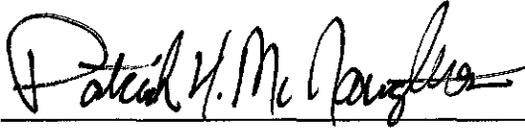
In accordance with your instructions and in compliance with the statutory requirements of Chapter 48.38 RCW, Charitable Gift Annuity Business, an examination was made of the corporate matters and financial records pertaining to the charitable gift annuity (CGA) business of

Central Washington Hospital Foundation
of
Wenatchee, Washington

hereinafter referred to as "CWHF". The examination was performed from our OIC office located at Central Building, 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 CWHF 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 Central Washington Hospital Foundation of Wenatchee, Washington. This report shows the financial condition of the CGA business and related corporate matters of Central Washington Hospital Foundation as of December 31, 2013.



Patrick H. McNaughton
Chief Examiner

4-28-15

Date

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

INSTRUCTIONS

None

COMMENTS AND RECOMMENDATIONS

1. Documentation of Closed Annuity Contract

CWHF did not obtain a certified copy of the death certificate to document an annuitant's death on March 15, 2004.

It is recommended that CWHF obtain and retain, in an annuitant's file, a certified copy of the death certificate to document an annuitant's death.

ORGANIZATION PROFILE

History

CWHF is a Washington nonprofit, charitable organization established in 1979. CWHF exists to generate private support for the benefit of Central Washington Hospital (CWH).

Territory and Plan of Operation

On March 27, 1992, the OIC granted CWHF a Certificate of Exemption No. 37 to conduct a CGA business in the state of Washington. There were six in-force annuity contracts as of December 31, 2013, and all six were issued to residents of the state of Washington.

Total Net Assets

CWHF's total net assets as of December 31, 2013 were \$8,440,221. This amount included unrestricted net assets of \$8,265,644. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

Growth

The growth of CWHF for the past five years, as of December 31, is reflected in the following schedules based on the organization's audited financial statements:

Schedule 1 – Statement of Financial Positions

Fiscal Year	Assets	Liabilities	Total Net Assets	Unrestricted	Temporarily Restricted	Permanently Restricted
2013	\$12,868,026	\$4,427,805	\$8,440,221	\$8,265,644	\$0	\$174,577
2012	11,515,073	4,473,723	7,041,350	6,868,224	0	173,126
2011	10,861,055	4,709,414	6,151,641	5,835,313	143,202	173,126
2010	13,127,357	7,398,455	5,728,902	5,302,526	253,250	173,126
2009	11,316,636	6,520,952	4,795,684	4,033,362	589,196	173,126

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	\$2,332,215	\$2,021,038	\$1,707,024	\$2,293,816	\$2,441,173
Total expenses	559,740	573,840	676,622	814,298	870,026
Increase (decrease) in net assets	1,772,475	1,447,198	1,030,402	1,479,518	1,571,147
Net assets at beginning of year	7,041,350	6,151,641	5,728,902	4,795,684	6,842,183
Amts paid in support of CWH	(373,604)	(557,489)	(607,663)	(546,300)	(3,617,646)
Net assets at end of year	\$8,440,221	\$7,041,350	\$6,151,641	\$5,728,902	\$4,795,684

Number of gift annuity contracts in force

6 6 6 6 6

AFFILIATED ORGANIZATIONS

None

MANAGEMENT AND CONTROL**Management**

Members of the Board of Trustees (BOT) serve as advisors to the Governing Directors and the Executive Director of the Foundation. The BOT is made up of 21 members as of December 31, 2013. Members of the BOT are elected for a term of three years and may be re-elected upon approval. Individual BOT members vote on matters that come before committees on which they serve. Any trustee may be removed at any time by the BOT of the Foundation for any reasonable cause.

Board of Trustees (BOT)

Trustees as of December 31, 2013:

Don Brawley	Abel Noah
Jenny Cravens	Sandy Northrup
Dr. Ed Farrar	Dave Parsons
Tracy Franklin	Joe Pitt
Keith Goehner	Dr. Peter Rutherford
John Hamilton	Nancy Schettenhelm
Erik Holmberg	Greg Taylor
Tracey Kasnic	Ed Womack
Jeff Neher	

Officers

Officers as of December 31, 2013:

Carol A. Wardell, President
 Bryan J. Maroney, Vice President
 Ted Fukuzawa, Treasurer
 Sharon Johnson, Secretary

Tax Status

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

Conflict of Interest

Members of the BOT are required to submit a conflict of interest questionnaire annually. CWHF's policy statement indicates that should an actual or potential conflict of interest arise, it will be reviewed and voted upon by the BOT. No exceptions were noted.

ORGANIZATION RECORDS

The BOT meets at least three times a year to discuss any business which is pertinent of CWHF. BOT meeting minutes documented the approval of CWHF's transactions and events. No exceptions were noted.

SEPARATE RESERVE FUND (SRF)

CWHF'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 CWHF, 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, CWHF was in compliance with RCW 48.38.020(3)(c) which requires CWHF to maintain a SRF balance equal to the actuarial calculation for annuity reserves plus a 10 percent surplus. No exceptions were noted.

SUBSEQUENT EVENTS

Effective January 1, 2015, Central Washington Hospital Foundation changed its name to Confluence Health Foundation.

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

FINANCIAL STATEMENTS

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

Statement of Financial Position

Statement of Activities and Changes in Net Assets

Central Washington Hospital Foundation
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	\$1,296,003	\$0	\$1,296,003	
CGA Investments	979,898	0	979,898	
Other Investments	9,826,538	0	9,826,538	
Property, plant, & equipment, net	450,000	0	450,000	
Other assets	315,587	0	315,587	
Total Assets	<u>\$12,868,026</u>	<u>\$0</u>	<u>\$12,868,026</u>	
Liabilities and Net Assets				
Accounts and other payables	\$23,952	\$0	\$23,952	
CGA liabilities	835,407	0	835,407	
Other liabilities	3,568,446	0	3,568,446	
Total Liabilities	<u>4,427,805</u>	<u>0</u>	<u>4,427,805</u>	
Net Assets				
Unrestricted	7,356,758	908,886	8,265,644	1
Temporarily restricted	(1,045,061)	1,045,061	0	1
Permanently restricted	2,125,094	(1,950,517)	174,577	1
Total Net Assets	<u>8,436,791</u>	<u>3,430</u>	<u>8,440,221</u>	
Total Liabilities and Net Assets	<u>\$12,864,596</u>	<u>\$3,430</u>	<u>\$12,868,026</u>	

**Central Washington Hospital Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013**

	Balance Per Annual Report	Examination Adjustments	Balance Per Examination	Note
Total revenues	\$2,043,655	\$288,560	\$2,332,215	1
Total expenses	740,937	(181,197)	559,740	1
Increase (decrease) in net assets	1,302,718	469,757	1,772,475	
Amounts paid in support of CWH	0	(373,604)	(373,604)	1
Net assets at beginning of year	7,041,350	0	7,041,350	
Net assets at end of year	\$8,344,068	\$96,153	\$8,440,221	

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 Central Washington Hospital 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, 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 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

