

STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION  
OF THE CHARITABLE GIFT ANNUITY BUSINESS  
OF  
VANCOUVER NATIONAL HISTORIC RESERVE TRUST  
VANCOUVER, WASHINGTON

DECEMBER 31, 2013

Order No. 15-130  
Vancouver National Historic Reserve Trust  
Exhibit A

**SALUTATION**

Seattle, Washington  
March 12, 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:

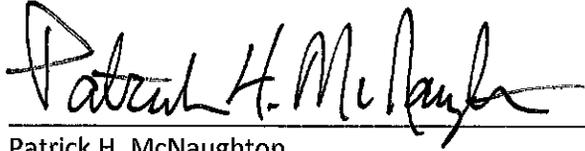
In accordance with your instructions and in compliance with the statutory requirements of Chapter 48.38 RCW, Charitable Gift Annuity Business, an examination was made of the corporate matters and financial records pertaining to the charitable gift annuity (CGA) business of

**Vancouver National Historic Reserve Trust**  
of  
Vancouver, Washington

hereinafter referred to as "VNHRT." 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 VNHRT 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 Vancouver National Historic Reserve Trust of Vancouver, Washington. This report shows the financial condition of the CGA business and related corporate matters of Vancouver National Historic Trust as of December 31, 2013.



Patrick H. McNaughton  
Chief Examiner

5-6-15

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. VNHRT'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, VNHRT'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 VNHRT's CGA OIC Annual Reports as part of the statutory examination. This review was performed to determine if VNHRT completed the OIC Annual Reports in accordance with the OIC Annual Report Instructions and to verify that VNHRT'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**

VNHRT is a Washington domestic non-profit organization incorporated in 1998. Its purpose is to advance the interests of Vancouver National Historic Reserves, which includes several historic landmarks in the vicinity of the city of Vancouver, Washington.

### **Territory and Plan of Operation**

On July 30, 2008, the OIC granted VNHRT a Certificate of Exemption No. 500284 to conduct a CGA business in the state of Washington. There were four in-force annuity contracts as of December 31, 2013, and all were issued to residents of the state of Washington.

### **Total Net Assets**

VNHRT's total net assets as of December 31, 2013 were \$3,647,300. This amount included unrestricted net assets of \$533,044. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

## Growth

The growth of VNHRT for the past five years is reflected in the following schedules based on the organization's audited financial statements.

### Schedule 1 – Statement of Financial Position

Fiscal Year	Assets	Liabilities	Total Net Assets		Temporarily	Permanently
			Unrestricted	Restricted	Restricted	Restricted
2013	\$5,411,577	\$1,764,277	\$3,647,300	\$533,044	\$1,690,509	\$1,423,747
2012	4,146,333	828,788	3,317,545	410,291	1,491,378	1,415,876
2011	3,767,015	761,559	3,005,456	372,108	1,230,534	1,402,814
2010	3,668,812	645,423	3,023,389	343,745	1,250,173	1,429,471
2009	3,273,054	563,043	2,710,011	494,213	1,029,403	1,186,395

### 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	\$4,006,823	\$4,175,403	\$3,647,568	\$3,524,156	\$3,166,154
Total expenses	3,677,068	3,863,314	3,665,501	3,210,778	2,651,203
Increase (decrease) In net assets	329,755	312,089	(17,933)	313,378	514,951
Net assets at beginning of year	3,317,545	3,005,456	3,023,389	2,710,011	2,195,060
<b>Net assets at end of year</b>	<b>\$3,647,300</b>	<b>\$3,317,545</b>	<b>\$3,005,456</b>	<b>\$3,023,389</b>	<b>\$2,710,011</b>
Number of gift annuity contracts in force	4	4	4	4	4

### AFFILIATED ORGANIZATIONS

None

### MANAGEMENT AND CONTROL

#### Management

VNHRT's property and business are governed by a Board of Trustees (BOT) consisting of not less than nine and not more than 35 members. The trustees are elected by the BOT for a term of three years and may be re-elected to three additional consecutive three-year terms. All trustees have full voting rights.

#### Board of Trustees

Trustees as of December 31, 2013:

Ed Lynch, Co-Chair	Bruce Hagensen
Bing Sheldon, Co-Chair	Richard Keller, II
Stacey Graham, Vice Chair	George Killian

Twyla Barnes  
Kim Capeloto  
Hunt Coracci  
Brad Carlson  
Paul Christensen  
Ward Cook  
Eric Fuller

Steve Horenstein  
Mary Meyers  
Dick Pokornowski  
Roger Qualman  
John Rudi  
Mike Williams  
George Van Hoomissen

**Officers**

Officers as of December 31, 2013:

Elson Strahan, President and CEO  
Michael True, COO and CFO

**Tax Status**

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

**Conflict of Interest**

BOT members are required to submit a conflict of interest questionnaire annually. VNHRT's policy statement indicates that should an actual or potential conflict of interest arise, it will be reviewed and voted upon by the BOT. Based on our review, no exceptions were noted.

**ORGANIZATION RECORDS**

The BOT meets four times a year to discuss business pertinent to VNHRT. BOT meeting minutes documented the approval of VNHRT's transactions and events. No exceptions were noted.

**SEPARATE RESERVE FUND (SRF)**

VNHRT'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 VNHRT, 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, VNHRT was in compliance with RCW 48.38.020(3)(c) which requires VNHRT 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 VNHRT 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 VNHRT's annual reports and financial statements.

## **FINANCIAL STATEMENTS**

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

Statement of Financial Position

Statement of Activities and Changes in Net Assets

**Vancouver National Historic Reserve Trust**  
**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>
<b>Assets</b>				
Cash and cash equivalents	\$2,642,164	(\$49)	\$2,642,115	1
Investments	1,962,111		1,962,111	
CGA investments	294,851		294,851	
Inventory	80,930	(38,228)	42,702	1
Contributions receivable, net	944,242	(772,300)	171,942	1
Other receivables, net	86,362	(50,808)	35,554	1
Other/Prepaid expenses	7,927	(5,803)	2,124	1
Building, furniture	260,178		260,178	
<b>Total Assets</b>	<b><u>\$6,278,765</u></b>	<b><u>(\$867,188)</u></b>	<b><u>\$5,411,577</u></b>	
<b>Liabilities and Net Assets</b>				
Accounts payable and accrued	\$63,220	\$8,569	\$71,789	1
Accrued payroll	95,940	(3,435)	92,505	1
Master lease payable	282,922	(3,644)	279,278	1
Deferred income	1,924,551	(889,435)	1,035,116	1
Deposits	114,030		114,030	
CGA liabilities	155,872		155,872	
Other Current liabilities	15,778	(91)	15,687	1
<b>Total Liabilities</b>	<b><u>2,652,313</u></b>	<b><u>(888,036)</u></b>	<b><u>1,764,277</u></b>	
<b>Net Assets</b>				
Unrestricted	2,164,376	(1,631,332)	533,044	1
Temporarily restricted	1,462,076	228,433	1,690,509	1
Permanently restricted		1,423,747	1,423,747	1
<b>Total Net Assets</b>	<b><u>3,626,452</u></b>	<b><u>20,848</u></b>	<b><u>3,647,300</u></b>	
<b>Total Liabilities and Net Assets</b>	<b><u>\$6,278,765</u></b>	<b><u>(\$867,188)</u></b>	<b><u>\$5,411,577</u></b>	

**Vancouver National Historic Reserve Trust  
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	\$3,767,146	\$239,677	\$4,006,823	1
Total expenses	<u>3,458,001</u>	<u>219,067</u>	<u>3,677,068</u>	1
Increase (decrease) in net assets	309,145	20,610	329,755	
Other changes in net assets	(238)	238	0	
Net assets at beginning of year	<u>3,317,545</u>		<u>3,317,545</u>	
<b>Net assets at end of year</b>	<b><u>\$3,626,452</u></b>	<b><u>\$20,848</u></b>	<b><u>\$3,647,300</u></b>	

**NOTES TO THE FINANCIAL STATEMENTS**

1. To reflect generally accepted accounting principle adjustments from the unaudited estimated financial information that was reported to the OIC prior to completion of the audited financial statements.

**ACKNOWLEDGMENT**

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Vancouver National Historic Trust 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, and Orlando Gabriel, CFE, from the Washington State Office of the Insurance Commissioner, participated in the examination and in the preparation of this report.

Respectfully submitted,

*Constantine Arustamian*

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Constantine Arustamian, CFE, CIE, MCM, CPA, CPCU, FLMI, FFSI, ARC, ARM, ARe, AIS, AIAF, API  
Financial Examiner  
State of Washington

