

STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER



**FINANCIAL EXAMINATION**  
**of the Charitable Gift Annuity Business**

of

**CRISTA Ministries**  
**Shoreline, Washington**

**June 30, 2010**

Order No. 11-05  
CRISTA Ministries  
Exhibit A

**SALUTATION**

Seattle, Washington  
January 20, 2011

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

CRISTA Ministries

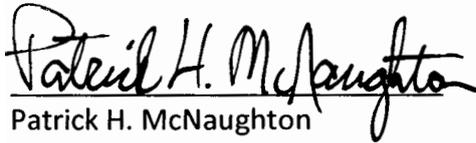
of

Shoreline, Washington

hereinafter referred to as "CRISTA" at its office, 19303 Fremont Avenue North, Shoreline, Washington 98133. This report of examination is respectfully submitted showing the financial condition and related corporate matters of the CGA business of CRISTA as of June 30, 2010.

**CHIEF EXAMINER'S AFFIDAVIT**

I hereby certify I have read the attached Report of the Financial Examination of the Charitable Gift Annuity business of CRISTA Ministries of Shoreline, Washington. This report shows the financial condition of the CGA business and related corporate matters of CRISTA Ministries as of June 30, 2010.



Patrick H. McNaughton  
Chief Examiner

1-20-2011

Date

## TABLE OF CONTENTS

<b>SCOPE OF THE EXAMINATION</b> .....	1
<b>INSTRUCTIONS</b> .....	1
<b>COMMENTS AND RECOMMENDATIONS</b> .....	2
<b>ORGANIZATION PROFILE</b> .....	2
History .....	2
Territory and Plan of Operation .....	2
Total Net Assets .....	2
Growth .....	2
<b>MANAGEMENT AND CONTROL</b> .....	3
Management .....	3
Board of Trustees .....	3
Officers .....	3
Tax Status .....	3
Conflict of Interest .....	4
<b>ORGANIZATION RECORDS</b> .....	4
<b>STATEMENT OF ACTUARIAL OPINION</b> .....	4
<b>ANNUITY ASSETS CUSTODIAL FUNCTION</b> .....	4
<b>SUBSEQUENT EVENTS</b> .....	4
<b>ACCOUNTING RECORDS AND PROCEDURES</b> .....	4
<b>FINANCIAL STATEMENTS</b> .....	5
Statement of Financial Position .....	6
Statement of Activities and Changes in Net Assets .....	7
<b>ACKNOWLEDGMENT</b> .....	8
<b>AFFIDAVIT</b> .....	9

## **SCOPE OF THE EXAMINATION**

The examination covers the period July 1, 2006 through June 30, 2010. The 2010 Annual Report reflected the balance sheet and statement of revenue and expenses of CRISTA as of June 30, 2010. The examination of the 2010 Annual Report covers the period ending June 30, 2010 for the balance sheet and statement of revenue and expenses sections, general interrogatories, 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.

CRISTA'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, CRISTA's certified public accountant's (CPA's) work papers were reviewed and utilized, where possible, 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 Shoreline office of CRISTA by examiners from the state of Washington.

## **INSTRUCTIONS**

The examiners reviewed CRISTA's CGA Annual Reports as part of the statutory examination. This review was performed to determine if CRISTA completed the Annual Reports in accordance with the Annual Report Instructions published by the OIC and to verify that CRISTA's accounts and records were prepared and maintained in accordance with Chapter 48.38 RCW.

The following summarizes one exception noted while performing this review:

### **1. CGA Liabilities - Reserves**

RCW 48.38.020 requires CRISTA to establish and maintain a separate reserve fund adequate to meet the future payments under its charitable gift annuity contracts. CRISTA maintained a separate annuity reserve of \$928,944 which did not agree to its consulting actuary's calculated reserve amount of \$910,122. In addition, CRISTA did not include the surplus of 10% to its consulting actuary's calculated reserve amount as required by RCW 48.38.020(3)(c). Pursuant to RCW 48.38.020(3)(c), the statutory aggregate reserves should be \$1,001,134. As a result, the reported annuity liabilities were understated by \$72,190. No examination adjustment was made due to immateriality.

CRISTA is instructed to report the statutory reserve calculated by its consulting actuary pursuant to RCW 48.38.010(10)(c), plus an additional 10% as required by RCW 48.38.020(1) and (3)(c).

**COMMENTS AND RECOMMENDATIONS**

There were no comments or recommendations made in this examination report.

**ORGANIZATION PROFILE**

**History**

CRISTA is a nonprofit organization and was founded and incorporated in 1948 under the name King’s Garden. It was renamed CRISTA, in 1979, meaning “Christianity in Action” to more closely reflect its mission.

**Territory and Plan of Operation**

CRISTA is organized for educational, charitable, religious, scientific, and literary purposes.

CRISTA was granted Certificate of Exemption No. 2 to conduct a Charitable Gift Annuity business in the state of Washington by the OIC on October 10, 1979. There were 83 in-force annuity contracts as of June 30, 2010.

**Total Net Assets**

CRISTA’s total net assets as of June 30, 2010 were \$84,340,000. This amount included an unrestricted net asset of \$66,704,000. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

**Growth**

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

**Schedule 1 – Statement of Financial Position**

<b>Fiscal Year</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Total Net Assets</b>	<b>Total Net Assets Allocated Into:</b>		
				<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
<b>2010</b>	\$121,573,000	\$37,233,000	\$84,340,000	\$66,704,000	\$14,094,000	\$3,542,000
<b>2009</b>	123,692,000	41,039,000	82,653,000	67,458,000	11,712,000	3,483,000
<b>2008</b>	133,344,000	45,943,000	87,401,000	69,370,000	14,215,000	3,816,000
<b>2007</b>	126,369,000	43,837,000	82,532,000	63,418,000	15,132,000	3,982,000
<b>2006</b>	115,808,000	45,424,000	70,384,000	55,133,000	13,909,000	1,342,000

## **Schedule 2 – Statement of Activities and Changes in Net Assets (NA)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total revenues	\$148,515,000	\$140,761,000	\$145,754,000	\$127,638,000	\$150,123,000
Total expenses	<u>(144,858,000)</u>	<u>(142,673,000)</u>	<u>(139,802,000)</u>	<u>(119,353,000)</u>	<u>(142,259,000)</u>
Increase (decrease) in net assets	3,657,000	(1,912,000)	5,952,000	8,285,000	7,864,000
Impairment loss on investments	(4,411,000)	0	0	0	0
Change in Unrestricted NA from Continuing Operations: Loss from discontinued operations of New Hope (including loss on disposal of \$1,265)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,640,000)</u>
Change in Unrestricted NA	(754,000)	(1,912,000)	5,952,000	8,285,000	6,224,000
Change in Temporarily Restricted NA	2,382,000	(2,503,000)	(917,000)	1,223,000	1,256,000
Change in Permanently Restricted NA	59,000	(333,000)	(166,000)	2,640,000	6,000
Net assets at beginning of year	<u>82,653,000</u>	<u>87,401,000</u>	<u>82,532,000</u>	<u>70,384,000</u>	<u>62,898,000</u>
Net assets at end of year	<u><b>\$84,340,000</b></u>	<u><b>\$82,653,000</b></u>	<u><b>\$87,401,000</b></u>	<u><b>\$82,532,000</b></u>	<u><b>\$70,384,000</b></u>

## **MANAGEMENT AND CONTROL**

### **Management**

The responsibility for the management, control, and conduct of the affairs of CRISTA is vested in its Board of Trustees (BOT). There are no less than fifteen (15) or more than thirty five (35) members.

### **Board of Trustees**

The following individuals were trustees as of June 30, 2010:

Deborah Limb, Chair	Kirsten Miller, Vice Chair	Michael Eggers, Treasurer
Stephen Grey, Secretary	Margaret Brand	Reg Branston
Joseph Bundrant	Dale Cowles	Brad Decker
David Ederer	Jim Funfar	Kevin Gabelein
E. Kent Halvorson	Morris Harper	Al Howell
Bob Lonac	Leslie Parrott	Steven Quillin
Phil Smart, Jr.	Warren Van Genderen	Roger Winter

### **Officers**

The following individuals were officers as of June 30, 2010:

Bob Lonac, President/CEO  
Bill Brown, Vice President Finance/CFO

### **Tax Status**

CRISTA is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code.

**Conflict of Interest**

CRISTA has a formal conflict of interest policy which is a part of, and is defined, in its Bylaws. No exceptions were noted.

**ORGANIZATION RECORDS**

The BOT meets three (3) times a year to discuss any business which is pertinent to CRISTA. BOT meeting minutes documented the approval of CRISTA's transactions and events. In addition to the BOT, CRISTA also has three other committees; the Executive Committee, Finance Committee and Audit Committee.

**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 CRISTA's annuity contract reserves as computed under RCW 48.38.020(3)(a) and (b) should be \$910,122 for eighty three (83) contracts as of June 30, 2010. This amount, plus an additional 10% as required by RCW 48.38.020(3)(c), was not properly reported as annuity liabilities in CRISTA's financial statements. (See Instruction No. 1.)

**ANNUITY ASSETS CUSTODIAL FUNCTION**

The separate reserve fund assets were held legally and physically segregated from the other assets of CRISTA as required by RCW 48.38.020(2)(a). The market values of the annuity investments as of June 30, 2010 were \$1,286,761 and consisted of mutual funds that are part of AXA Equitable Accumulator deferred variable annuity series. The annuity investments were properly reported in the financial statements at market value.

**SUBSEQUENT EVENTS**

There were no material events which impacted CRISTA 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 the annual reports and financial statements.

## **FINANCIAL STATEMENTS**

The following information summarizes the financial statements of CRISTA:

Statement of Financial Position

Statement of Activities and Changes in Net Assets

**CRISTA Ministries**  
**Statement of Financial Position**  
**June 30, 2010**

	<u>Balance per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$39,020,000	\$0	\$39,020,000
Investments	19,786,000		19,786,000
Property and Equipment used in Ministries	55,665,000		55,665,000
Planned giving program	1,129,239		1,129,239
CGA Investment	1,286,761		1,286,761
Assets held by field operations	3,596,000		3,596,000
Other assets	1,090,000		1,090,000
<b>Total Assets</b>	<b><u>\$121,573,000</u></b>	<b><u>\$0</u></b>	<b><u>\$121,573,000</u></b>
<b><u>LIABILITIES</u></b>			
Current Liabilities	\$10,177,000	\$0	\$10,177,000
Long-term obligations	9,401,000		9,401,000
Refundable entry fees	7,119,000		7,119,000
Non-refundable entry fees	8,353,000		8,353,000
Deposits	135,000		135,000
Planned giving program obligations	1,119,056		1,119,056
CGA liabilities	928,944		928,944
<b>Total Liabilities</b>	<b><u>37,233,000</u></b>	<b><u>0</u></b>	<b><u>37,233,000</u></b>
<b><u>NET ASSETS</u></b>			
Unrestricted	66,704,000		66,704,000
Temporarily restricted	14,094,000		14,094,000
Permanently restricted	3,542,000		3,542,000
<b>Total Net Assets</b>	<b><u>84,340,000</u></b>	<b><u>0</u></b>	<b><u>84,340,000</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$121,573,000</u></b>	<b><u>\$0</u></b>	<b><u>\$121,573,000</u></b>

**CRISTA Ministries**  
**Statement of Activities and Changes in Net Assets**  
**June 30, 2010**

	<u>Balance per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
Total revenues	\$148,515,000	\$0	\$148,515,000
Total expenses	<u>(144,858,000)</u>		<u>(144,858,000)</u>
Increase (decrease) in net assets	3,657,000		3,657,000
Impairment loss on investments	(4,411,000)		(4,411,000)
Change in Unrestricted Net Assets	(754,000)		(754,000)
Change in Temporarily Restricted Net Assets	2,382,000		2,382,000
Change in Permanently Restricted Net Assets	59,000		59,000
Net assets at beginning of year	<u>82,653,000</u>		<u>82,653,000</u>
<b>Net assets at end of year</b>	<b><u><u>\$84,340,000</u></u></b>	<b><u><u>\$0</u></u></b>	<b><u><u>\$84,340,000</u></u></b>

## ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of CRISTA 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, Life and Disability Field Supervising Examiner; and Tony Quach, AFE, Financial Examiner from 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, reading "Orlando R. Gabriel", is written over a horizontal line.

Orlando R. Gabriel, AFE  
Examiner-in-Charge  
State of Washington

