

**STATE OF WASHINGTON  
OFFICE OF THE INSURANCE  
COMMISSIONER**



**FINANCIAL EXAMINATION  
of the Charitable Gift Annuity Business  
of  
Plymouth Congregational Church of Seattle  
Seattle, Washington  
DECEMBER 31, 2007**

**SALUTATION**

Seattle, Washington  
August 27, 2009

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

Plymouth Congregational Church of Seattle

of

Seattle, Washington

hereinafter referred to as "PCCS" at its office, 1217 6<sup>th</sup> Avenue, Seattle, Washington 98101. This report of examination is respectfully submitted showing the condition of the CGA business of PCCS as of December 31, 2007.

**CHIEF EXAMINER'S AFFIDAVIT**

I hereby certify I have read the attached Report of the Financial Examination of the Charitable Gift Annuity business of Plymouth Congregational Church of Seattle, Washington. This report shows the financial condition of the CGA business and related corporate matters of Plymouth Congregational Church of Seattle as of December 31, 2007.



Patrick H. McNaughton  
Chief Examiner

8-27-2009

Date

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## SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2003 through December 31, 2007. The scope of our examination focused only on the transactions and operations of the CGA business. PCCS' 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 reporting. The results of the examination are commented upon in the various sections of this report. In addition, PCCS' certified public accountant's (CPA's) reports 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 Seattle office of PCCS by examiners from the state of Washington.

## INSTRUCTIONS

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

The following summarizes the exceptions noted while performing this review.

### **1. Gift Annuity Payables-- Reserves**

RCW 48.38.020 requires PCCS to establish and maintain a separate reserve fund adequate to meet the future payments under its charitable gift annuity contracts. PCCS maintained a separate reserve of \$215,734 which did not agree to the actuary's calculated reserve amount of \$259,213 as of December 31, 2007. The amount of the separate reserve is also required to include a surplus of ten percent (10%) per RCW 48.38.020(3)(c). Pursuant to RCW 48.48.020(3)(c), the statutory aggregate reserves should be \$285,135. As a result, the reported annuities payable was understated by \$69,400. No examination adjustment was necessary due to immateriality.

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

## COMMENTS AND RECOMMENDATIONS

### 1. Conflict of Interest Policy

PCCS has no conflict of interest policy. PCCS' Bylaws do not include a code of conduct or regulations for conflict of interest.

**It is recommended that PCCS develop and implement a conflict of interest policy which requires the Congregational Council (Council) and key employees to sign an annual conflict of interest questionnaire which is reviewed annually by the Council.**

## ORGANIZATION PROFILE

**History:** PCCS was organized in 1869 and was incorporated under the laws of the state of Washington on January 28, 1891. The church is located in Seattle, Washington and serves members from the greater Seattle area.

**Territory and Plan of Operation:** On September 9, 1999, the OIC granted PCCS a Certificate of Exemption No. 132 to conduct a CGA business in the state of Washington.

**Total Net Assets:** PCCS' total net assets as of December 31, 2007 were \$26,063,202. This amount included unrestricted net assets of \$23,687,617. The minimum unrestricted net asset requirement as of December 31, 2007 was satisfied pursuant to RCW 48.38.010(6).

**Growth:** The growth of PCCS for the past five years is reflected in the following schedules. All information was compiled from PCCS' financial statements.

### Schedule 1 – Statement of Financial Position

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Total Net Assets</u>	<u>Total Net Assets Allocated Into:</u>		
				<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<b>2007</b>	\$26,596,351	\$533,149	\$26,063,202	\$23,687,617	\$230,725	\$2,144,860
<b>2006</b>	25,221,646	541,080	24,680,566	22,376,130	247,479	2,056,957
<b>2005</b>	27,090,578	542,943	26,547,635	23,377,609	1,168,231	2,001,795
<b>2004</b>	26,114,814	561,835	25,552,979	22,397,635	1,141,983	2,013,361
<b>2003</b>	25,387,149	609,163	24,777,986	21,794,915	1,157,347	1,825,724

**Schedule 2 – Statement of Activities and Changes in Net Assets**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues and gains	\$2,643,789	\$2,323,761	\$2,164,649	\$2,379,639	\$2,203,051
Expenses	2,381,799	2,302,641	2,101,164	2,148,649	2,008,063
Increase (decrease) in net assets	261,990	21,120	63,485	230,990	194,988
Changes in net assets	1,120,647	1,623,141	931,171	544,003	2,468,811
Prior period adjustment, 2004		(3,511,311)			
Net assets at beginning of year	24,680,565	26,547,635	25,552,979	24,777,986	22,114,187
<b>Net assets at end of year</b>	<b>\$26,063,202</b>	<b>\$24,680,585</b>	<b>\$26,547,635</b>	<b>\$25,552,979</b>	<b>\$24,777,986</b>

Number of gift annuity contracts at end of year	10	10	9	8	8
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**AFFILIATED ORGANIZATIONS**

Plymouth Healing Communities (PHC) is a nonprofit corporation formed in 2000, and organized to create family residences for persons with mental illness to find a supportive, stable and healing home. PCCS controls PHC and all PHC’s transactions must be approved by a majority of PCCS’ Council.

**MANAGEMENT AND CONTROL**

**Management:** According to the Bylaws, the management of all the affairs of PCCS is vested in the Congregational Council which consists of seventeen members with four elected officers and thirteen non-officers.

The Council as of December 31, 2007:

Jock Akin	Sue Jones
Jim Bechtold	Lindy Gaylord
Mae Bell	Helen Gorsuch
Al Bentley	Edie Lackland
Allen Boyce	Jon Palmason
Howard Boyd	Mike Pierson
Bill Bumpas	Connie Sandstrom
Don Castle	Bob Woodruff
Dick Chappelle	

**Officers:** The officers as of December 31, 2007:

Sue Jones, President	Al Bentley, Vice-President
Jim Bechtold, Treasurer	Lindy Gaylord, Secretary

**Tax Status:** PCCS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**Conflict of Interest:** PCCS has no conflict of interest policy. (See Comment and Recommendation No.1.)

### **ORGANIZATION RECORDS**

The Council meets at least nine times a year to discuss any business that is pertinent to PCCS. The Council meeting minutes documented the approval of PCCS' transactions and events.

### **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 and meets its qualification standards. The SAO indicated that PCCS' annuity contract reserves as computed under RCW 48.38.020(3)(a) and (b) should be \$259,213 as of December 31, 2007. This amount, plus the 10% surplus required by RCW 48.38.020(3)(c), was not properly reported as annuities payable in PCCS' 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 PCCS as required by RCW 48.38.020(2). The market value of the annuity investments as of December 31, 2007 was \$389,779 and consisted of cash and cash equivalent, fixed income, and mutual funds. The annuity investments were properly reported in the financial statements at market value.

### **SUBSEQUENT EVENTS**

There were no material events which impacted PCCS' CGA business 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 financial information summarizes the financial statements of PCCS:



**PLYMOUTH CONGREGATIONAL CHURCH OF SEATTLE  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2007**

	<u>Balance per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$791,787	\$0	\$791,787
Investments	548,699		548,699
Investments endowment fund	22,521,531		22,521,531
Assets held in charitable remainder trusts	297,240		297,240
Assets held in gift annuities	389,779		389,779
Other assets	2,047,315		2,047,315
<b>Total Assets</b>	<b><u>\$26,596,351</u></b>	<b><u>\$0</u></b>	<b><u>\$26,596,351</u></b>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$136,154	\$0	\$136,154
Liability for trusts	181,261		\$181,261
Annuities payable	215,734		215,734
<b>Total Liabilities</b>	<b><u>533,149</u></b>	<b><u>0</u></b>	<b><u>533,149</u></b>
<b><u>NET ASSETS</u></b>			
Unrestricted	23,687,617		23,687,617
Temporarily restricted	230,725		230,725
Permanently restricted	2,144,860		2,144,860
<b>Total Net Assets</b>	<b><u>26,063,202</u></b>	<b><u>0</u></b>	<b><u>26,063,202</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$26,596,351</u></b>	<b><u>\$0</u></b>	<b><u>\$26,596,351</u></b>

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

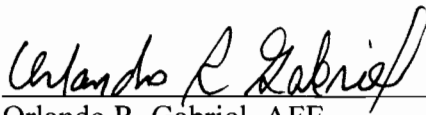
	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
Total revenues	\$2,643,789	\$0	\$2,643,789
Total expenses	2,381,799		2,381,799
Increase (decrease) in net assets	261,990	0	261,990
Other changes in net assets	1,120,647		1,120,647
Net assets at beginning of year	24,680,565		24,680,565
<b>Net assets at end of year</b>	<b><u>\$26,063,202</u></b>	<b><u>\$0</u></b>	<b><u>\$26,063,202</u></b>

## ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of PCCS 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 Friday Enoye, Financial Examiner from the Washington State Office of the Insurance Commissioner, participated in the examination and the preparation of this report.

Respectfully submitted,



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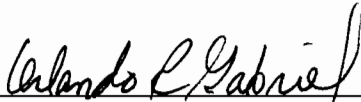
Orlando R. Gabriel, AFE  
Examiner-in-Charge  
State of Washington

**AFFIDAVIT**

**STATE OF WASHINGTON**        }  
  }  
  } ss  
**COUNTY OF KING**            }

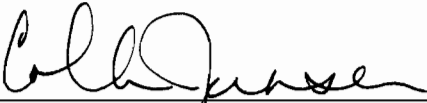
Orlando R. Gabriel, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of PCCS' CGA business was performed in a manner consistent with the standards and procedures required or prescribed by the Washington State Office of the Insurance Commissioner and the National Association of Insurance Commissioners (NAIC).



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

Subscribed and sworn to before me on this 27<sup>th</sup> day of August, 2009.



\_\_\_\_\_  
Notary Public in and for the  
State of Washington,  
Residing at Seattle

