

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION
OF THE CHARITABLE GIFT ANNUITY BUSINESS
OF
CENTRAL WASHINGTON UNIVERSITY FOUNDATION
ELLENSBURG, WASHINGTON

JUNE 30, 2014

Order No. 15-156
Central Washington University Foundation
Exhibit A

SALUTATION

Seattle, Washington
April 9, 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 University Foundation
of
Ellensburg, Washington

hereinafter referred to as "CWUF". 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 CWUF as of June 30, 2014.

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 University Foundation of Ellensburg, Washington. This report shows the financial condition of the CGA business and related corporate matters of Central Washington University Foundation as of June 30, 2014.

Michael V Jordan, Asst. Chief Examiner For
Patrick H. McNaughton
Chief Examiner

June 15, 2015
Date

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SCOPE OF THE EXAMINATION

The examination covers the period July 1, 2009 through June 30, 2014. The scope of our examination focused only on the transactions and operations of the CGA business. CWUF'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, CWUF's June 30, 2014 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 CWUF's CGA OIC Annual Reports as part of the statutory examination. This review was performed to determine if CWUF completed the OIC Annual Reports in accordance with the OIC Annual Report Instructions and to verify that CWUF'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

Established in 1968, CWUF is an independent, privately governed, non-profit corporation. The mission of CWUF is to support Central Washington University's educational programs.

Territory and Plan of Operation

On December 30, 2004, the OIC granted CWUF a Certificate of Exemption No. 261 to conduct a CGA business in the state of Washington. There were four in-force annuity contracts as of June 30, 2014, of which three were issued in the state of Washington.

Total Net Assets

CWUF's total net assets as of June 30, 2014 were \$23,913,365. This amount included unrestricted net assets of \$1,941,606. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

Growth

The growth of CWUF for the past five years, as of June 30, is reflected in the following schedules based on the organization's audited financial statements:

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>
2014	\$24,296,738	\$383,373	\$23,913,365	\$1,941,606	\$9,489,461	\$12,482,298
2013	20,624,291	197,677	20,426,614	1,318,124	7,291,988	11,816,502
2012	18,571,349	287,684	18,283,665	979,766	5,921,933	11,381,966
2011	18,324,467	288,164	18,036,303	914,766	6,230,390	10,891,147
2010	15,655,030	187,018	15,468,012	417,587	4,556,186	10,494,239

Schedule 2 – Statement of Activities and Changes in Net Assets

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total revenues	\$5,991,431	\$4,257,296	\$2,468,287	\$5,381,683	\$3,769,229
Total expenses	<u>2,504,680</u>	<u>2,114,347</u>	<u>2,220,925</u>	<u>2,366,668</u>	<u>2,061,659</u>
Increase (decrease) in net assets	3,486,751	2,142,949	247,362	3,015,015	1,707,570
Other changes in net assets				(446,724)	446,724
Net assets at beginning of year	<u>20,426,614</u>	<u>18,283,665</u>	<u>18,036,303</u>	<u>15,468,012</u>	<u>13,313,718</u>
Net assets at end of year	<u>\$23,913,365</u>	<u>\$20,426,614</u>	<u>\$18,283,665</u>	<u>\$18,036,303</u>	<u>\$15,468,012</u>

Number of gift annuity contracts
in force

4 4 4 3 2

AFFILIATED ORGANIZATIONS

None

MANAGEMENT AND CONTROL

Management

CWUF is governed by a Board of Directors (BOD) consisting of not less than 16 members. The officers of CWUF consist of a chair, a vice chair, a secretary, and a treasurer who are elected by the BOD from its membership. The BOD appointed an executive director who performs such duties as the board may prescribe.

Board of Directors

Directors as of June 30, 2014:

Bradley Fitterer, Chair
Robert Nellams, Vice Chair
Kevin Malone, Secretary
Patricia Galloway, Treasurer
Joe Adams
John Delaney
Ed Duval
Katherine Elser
James Gaudino

Arne Haynes
Jeff Hensler
Bea Keompel-Thomas
Greg LeClair
Patricia Loera
Bryan Minor
Patricia Notter
Mark Pearson
Craig Tullis

Officers

Officers as of June 30, 2014:

Bradley Fitterer, Chair
Robert Nellams, Vice Chair
Kevin Malone, Secretary
Patricia Galloway, Treasurer
Scott Wade, Executive Director

Tax Status

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

Conflict of Interest

BOD members are required to complete and provide an annual conflict of interest disclosure statement to the board chair, executive director, and other directors for review and approval. Formal procedures exist for remedying conflicts of interest. Based on our review, no exceptions were noted.

ORGANIZATION RECORDS

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

SEPARATE RESERVE FUND

CWUF'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 CWUF, 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, CWUF was in compliance with RCW 48.38.020(3)(c) which requires CWUF 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 CWUF 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 CWUF's annual reports.

FINANCIAL STATEMENTS

The following financial statements show the financial condition of CWUF as of June 30, 2014:

Statement of Financial Position

Statement of Activities and Changes in Net Assets

Central Washington University Foundation
Statement of Financial Position
June 30, 2014

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
Assets			
Cash and cash equivalents	\$470,867	\$0	\$470,867
Investments, securities	22,812,529		22,812,529
CGA Investments	168,131		168,131
Other assets	845,211		845,211
Total Assets	<u><u>\$24,296,738</u></u>	<u><u>\$0</u></u>	<u><u>\$24,296,738</u></u>
Liabilities and Net Assets			
CGA liabilities	\$51,500	\$0	\$51,500
Other liabilities	331,873		331,873
Total Liabilities	<u><u>383,373</u></u>	<u><u>0</u></u>	<u><u>383,373</u></u>
Net Assets			
Unrestricted	1,941,606	0	1,941,606
Temporarily restricted	9,489,461		9,489,461
Permanently restricted	12,482,298		12,482,298
Total Net Assets	<u><u>23,913,365</u></u>	<u><u>0</u></u>	<u><u>23,913,365</u></u>
Total Liabilities and Net Assets	<u><u>\$24,296,738</u></u>	<u><u>\$0</u></u>	<u><u>\$24,296,738</u></u>

Central Washington University Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2014

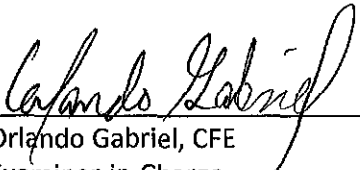
	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
Total revenues	\$5,991,431	\$0	\$5,991,431
Total expenses	2,504,680		2,504,680
Increase (decrease) in net assets	3,486,751	0	3,486,751
Net assets at beginning of year	20,426,614		20,426,614
Net assets at end of year	<u><u>\$23,913,365</u></u>	<u><u>\$0</u></u>	<u><u>\$23,913,365</u></u>

ACKNOWLEDGMENT

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

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner and Susan Campbell, CPA, CFE, FLMI, ARA, Life and Disability 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,



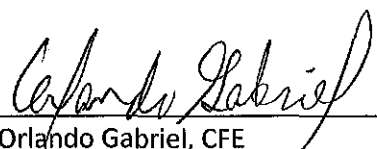
Orlando Gabriel, CFE
Examiner-in-Charge
State of Washington

AFFIDAVIT

STATE OF WASHINGTON }
 } ss
COUNTY OF KING }


Orlando 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 the Charitable Gift Annuity business of Central Washington University Foundation 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.



Orlando Gabriel, CFE
Examiner-in-Charge
State of Washington

Subscribed and sworn to before me this 15th day of June 2015.



Notary Public in and for the
State of Washington

