

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION
OF THE CHARITABLE GIFT ANNUITY BUSINESS
OF
THE GREATER TACOMA COMMUNITY FOUNDATION
TACOMA, WASHINGTON

June 30, 2013

Order No. 14-66
The Greater Tacoma Community Foundation
Exhibit A

SALUTATION

Seattle, Washington
January 14, 2014

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:

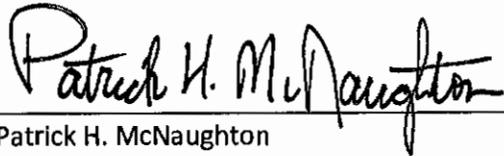
In accordance with your instructions and in compliance with the statutory requirements of Chapter 48.38 RCW, Charitable Gift Annuity Business, an examination was made of the corporate matters and financial records pertaining to the charitable gift annuity (CGA) business of

The Greater Tacoma Community Foundation
of
Tacoma, Washington

hereinafter referred to as "GTCF" at its office, 950 Pacific Avenue, Tacoma, WA 98402. This report of examination is respectfully submitted showing the financial condition and related corporate matters of the CGA business of GTCF as of June 30, 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 The Greater Tacoma Community Foundation of Tacoma, Washington. This report shows the financial condition of the CGA business and related corporate matters of The Greater Tacoma Community Foundation as of June 30, 2013.



Patrick H. McNaughton
Chief Examiner

4-7-14

Date

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SCOPE OF THE EXAMINATION

The examination covers the period July 1, 2009 through June 30, 2013. The scope of our examination focused only on the transactions and operations of the CGA business. GTCF'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, GTCF's certified public accountant's (CPA's) audit of the June 30, 2013 financial statements was 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 examination was conducted at the Tacoma office of GTCF by examiners from the state of Washington.

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

GTCF is a not-for-profit corporation organized in 1981 under the laws of the state of Washington. GTCF is organized to carry out charitable, educational, and scientific purposes for the benefit of the people of the greater Tacoma area. GTCF grants funds to a variety of charitable and not-for-profit organizations to support their respective programs.

Territory and Plan of Operation

On March 28, 1988, the OIC granted GTCF a Certificate of Exemption No. 24 to conduct a CGA business in the state of Washington. There were 49 in-force annuity contracts as of June 30, 2013.

Total Net Assets

GTCF's total net assets as of June 30, 2013 were \$75,630,624. This amount included unrestricted net assets of \$70,136,149. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

Growth

The growth of GTCF for the past five years is reflected in the following schedules:

Schedule 1 – Statement of Financial Position

Year	Assets	Liabilities	Total Net Assets	Total Net Assets Allocated Into:		
				Unrestricted	Temporarily Restricted	Permanently Restricted
2013	\$85,302,343	\$9,671,719	\$75,630,624	\$70,136,149	\$3,450,787	\$2,043,688
2012	74,186,479	8,810,751	65,375,728	60,556,758	2,775,282	2,043,688
2011	77,065,762	12,848,444	64,217,318	56,007,011	6,166,619	2,043,688
2010	55,776,634	13,220,897	42,555,737	38,294,391	2,217,658	2,043,688
2009	52,115,477	8,332,540	43,782,937	38,015,400	3,723,849	2,043,688

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	\$15,981,564	\$6,340,585	\$26,289,462	\$6,176,895	(\$6,980,935)
Total expenses	<u>5,726,668</u>	<u>5,182,175</u>	<u>4,627,881</u>	<u>3,688,400</u>	<u>4,210,016</u>
Increase (decrease) in net assets	10,254,896	1,158,410	21,661,581	2,488,495	(11,190,951)
Prior year adjustment				(3,715,695)	
Net assets at beginning of year	<u>65,375,728</u>	<u>64,217,318</u>	<u>42,555,737</u>	<u>43,782,937</u>	<u>54,973,888</u>
Net assets at end of year	<u>\$75,630,624</u>	<u>\$65,375,728</u>	<u>\$64,217,318</u>	<u>\$42,555,737</u>	<u>\$43,782,937</u>
Number of gift annuity contracts	49	45	47	46	48

AFFILIATED ORGANIZATIONS

GTCF's affiliates consist of the following not-for-profit corporations: The Friends of Lakewold, established in 1986; Western Forest Industries Museum, established in June 1998; and Asset Stewardship Foundation, established in 2008.

MANAGEMENT AND CONTROL

Management

According to the Bylaws, GTCF is governed by a Board of Directors (BOD) consisting of fifteen members. A director is not eligible to serve more than two consecutive three year terms unless at least three years have elapsed from the expiration of the second term. The officers of GTCF are a chairperson, a vice chairperson, a secretary, and a treasurer who are elected by the BOD from its membership. Also, the BOD appoints a president as the chief executive officer of GTCF.

Board of Directors

Directors as of June 30, 2013:

Gary Brooks
Gary Connett
Debra Friedman
Ed Grogan
Maro Imirzian
Laurie Jinkins
John Korsmo
Joe Mayer

Carla Pelster
Katharine Severson
Patricia Talton
Cindy Thompson
Sheri Tonn, PH.D
Timothy Tucci
John Wiborg

Officers

Officers as of June 30, 2013:

Gary Connett, Chair
Ed Grogan, Vice Chair
Sheri Tonn, Treasurer
Katharine Severson, Secretary
Rose Lincoln Hamilton, President & CEO

Tax Status

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

Conflict of Interest

Every director, officer, and employee is asked to complete and sign a conflict of interest disclosure statement annually. Every director, officer and employee must disclose all actual and potential conflicts and exclude himself/herself from participating in the discussion of, or voting on, any transaction or arrangement in which he/she has a potential or actual conflict of interest. All conflicts of interest are to be noted in the BOD's meeting minutes. No exceptions were noted.

ORGANIZATION RECORDS

The BOD meets six times a year to discuss any business which is pertinent to GTCF. Minutes of the meetings of the BOD documented the approval of GTCF's transactions and events. No exceptions were noted.

SEPARATE RESERVE FUND

GTCF'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 GTCF, 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, GTCF was in compliance with RCW 48.38.020(3)(c) which requires GTCF 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 GTCF between the examination date and the last day of our field work.

FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS

All previous report instructions and comments have been addressed and corrected.

ACCOUNTING RECORDS AND PROCEDURES

The records and source documentation supported the data and amounts presented in GTCF's annual reports and financial statements.

FINANCIAL STATEMENTS

The following financial statements show the financial condition of GTCF as of June 30, 2013:

Statement of Financial Position
Statement of Activities and Changes in Net Assets

The Greater Tacoma Community Foundation
Statement of Financial Position
June 30, 2013

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>	<u>Notes</u>
Assets				
Cash and cash equivalents	\$2,492,651	\$0	\$2,492,651	
Contributions, bequests, trust and other receivables	2,482,039	280,000	2,762,039	1
Other Investments	77,413,421		77,413,421	
CGA investments	1,050,086		1,050,086	
Mission related investments	1,500,000		1,500,000	
Buildings and equipment, net	84,146		84,146	
Total Assets	<u>\$85,022,343</u>	<u>\$280,000</u>	<u>\$85,302,343</u>	
Liabilities and Net Assets				
Accounts payable and other liabilities	\$387,027	\$64,998	\$452,025	1
Split-interest agreements payable	596,961		596,961	
CGA liabilities	628,587		628,587	
Funds held for the benefit of other organizations	7,994,146		7,994,146	
Total Liabilities	<u>9,606,721</u>	<u>64,998</u>	<u>9,671,719</u>	
Net Assets				
Unrestricted	70,201,147	(64,998)	70,136,149	1
Temporarily restricted	3,170,787	280,000	3,450,787	1
Permanently restricted	2,043,688		2,043,688	
Total Net Assets	<u>75,415,622</u>	<u>215,002</u>	<u>75,630,624</u>	
Total Liabilities and Net Assets	<u>\$85,022,343</u>	<u>\$280,000</u>	<u>\$85,302,343</u>	

**The Greater Tacoma Community Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2013**

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>	<u>Notes</u>
Total revenues	\$16,051,563	(\$69,999)	\$15,981,564	1
Total expenses	6,011,669	(285,001)	5,726,668	1
Increase (decrease) in net assets	10,039,894	215,002	10,254,896	
Net assets at beginning of year	65,375,728		65,375,728	
Net assets at end of year	<u>\$75,415,622</u>	<u>\$215,002</u>	<u>\$75,630,624</u>	

NOTES TO THE FINANCIAL STATEMENTS

Examination adjustments to GTCF financial statements are as follows:

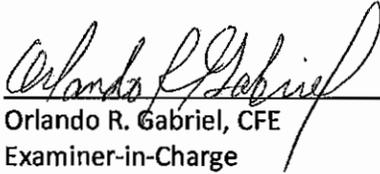
1. To reflect generally accepted accounting principles adjustments from the unaudited estimated financial information that was reported to the OIC prior to completion of the audited financial statements. The examination adjustments resulted in an increase in bequest and trusts receivables of \$280,000; an increase in other liabilities of \$64,998; a decrease in unrestricted net assets of \$64,998; an increase in temporarily restricted net assets of \$280,000; a decrease in revenues of \$69,999; and a decrease in expenses by \$285,001.

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of The Greater Tacoma Community 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 R. Gabriel, CFE
Examiner-in-Charge
State of Washington

