

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION
OF THE CHARITABLE GIFT ANNUITY BUSINESS
OF
GREEN RIVER COMMUNITY COLLEGE FOUNDATION
AUBURN, WASHINGTON

JUNE 30, 2014

Order No. 15-165
Green River Community College 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

Green River Community College Foundation
of
Auburn, Washington

hereinafter referred to as "GRCCF". The examination was performed from our OIC office located at 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 GRCCF 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 Green River Community College Foundation of Auburn, Washington. This report shows the financial condition of the CGA business and related corporate matters of Green River Community College Foundation as of June 30, 2014.



Patrick H. McNaughton
Chief Examiner

7-7-15

Date

TABLE OF CONTENTS

SCOPE OF THE EXAMINATION 1

INSTRUCTIONS 1

COMMENTS AND RECOMMENDATIONS..... 1

ORGANIZATION PROFILE 1

 History 1

 Territory and Plan of Operation 1

 Total Net Assets 2

 Growth..... 2

AFFILIATED ORGANIZATIONS 2

MANAGEMENT AND CONTROL 2

 Management 2

 Board of Directors 3

 Officers 3

 Tax Status..... 3

 Conflict of Interest 3

ORGANIZATION RECORDS 3

SEPARATE RESERVE FUND 3

SUBSEQUENT EVENTS 4

ACCOUNTING RECORDS AND PROCEDURES4

FINANCIAL STATEMENTS 4

 Statement of Financial Position..... 5

 Statement of Activities and Changes in Net Assets..... 5

NOTES TO THE FINANCIAL STATEMENTS 5

ACKNOWLEDGMENT..... 6

AFFIDAVIT 7

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. GRCCF'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, GRCCF'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 GRCCF's CGA OIC Annual Reports as part of the statutory examination. This review was performed to determine if GRCCF completed the OIC Annual Reports in accordance with the OIC Annual Report Instructions and to verify that GRCCF's accounts and records were prepared and maintained in accordance with RCW 48.38.010(10)(a).

INSTRUCTIONS

1. Annuity Investments

The separate annuity reserve funds held by Vanguard were registered under the wrong name, Green River Community College, instead of the correct legal name, Green River Community College Foundation.

GRCCF is instructed to comply with RCW 48.38.020(2)(a) by coordinating with Vanguard to change the name in the statement to Green River Community College Foundation for the annuity custodial account.

COMMENTS AND RECOMMENDATIONS

NONE

ORGANIZATION PROFILE

History

GRCCF is a not-for-profit organization that provides community-oriented programs and broader educational opportunities to Green River Community College students, staff, faculty, and residents of the surrounding communities.

Territory and Plan of Operation

On April 25, 2011, the OIC granted GRCCF a Certificate of Exemption No. 500680 to conduct a CGA business in the state of Washington. There were three in-force annuity contracts as of June 30, 2014.

Total Net Assets

GRCCF's total net assets as of June 30, 2014 were \$15,282,496. This amount included unrestricted net assets of \$6,200,073. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

Growth

The growth of GRCCF 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

Year	Assets	Liabilities	Total Net Assets	Total Net Assets Allocated Into:		
				Unrestricted	Temporarily Restricted	Permanently Restricted
2014	\$15,905,775	\$623,279	\$15,282,496	\$6,200,073	\$2,853,202	\$6,229,221
2013	14,065,492	595,921	13,469,571	5,423,848	1,940,065	6,105,658
2012	12,568,543	580,097	11,988,446	5,065,532	1,048,575	5,874,339
2011	12,424,456	616,983	11,807,473	4,950,491	1,183,671	5,673,311
2010	10,176,095	596,292	9,579,803	3,238,747	1,162,235	5,178,821

Schedule 2 – Statement of Activities and Changes in Net Assets

	2014	2013	2012	2011	2010
Total revenues	\$3,263,994	\$2,646,867	\$1,688,760	\$3,473,383	\$3,007,580
Total expenses	<u>1,451,069</u>	<u>1,165,742</u>	<u>1,507,787</u>	<u>1,245,713</u>	<u>1,996,103</u>
Increase (decrease) in net assets	1,812,925	1,481,125	180,973	2,227,670	1,011,477
Net assets at beginning of year	<u>13,469,571</u>	<u>11,988,446</u>	<u>11,807,473</u>	<u>9,579,803</u>	<u>8,568,326</u>
Net assets at end of year	<u>\$15,282,496</u>	<u>\$13,469,571</u>	<u>\$11,988,446</u>	<u>\$11,807,473</u>	<u>\$9,579,803</u>

Number of gift annuity contracts
in force

3	3	1	1	0
---	---	---	---	---

AFFILIATED ORGANIZATIONS

The G.R.C.C. Student Village, L.L.C. (the LLC) is a wholly owned subsidiary of GRCCF. The LLC consists of a 343 bedroom college housing facility located in Auburn, Washington.

MANAGEMENT AND CONTROL**Management**

The overall policies and activities of GRCCF are established by the Board of Directors (BOD) consisting of not less than 11, or more than 30 members. The president has the privilege of discussing and voting on issues at both board and executive committee meetings.

Board of Directors

Directors as of June 30, 2014:

Sue Benedict
Jim Berrios
Dr. Derek Brandes
Rick Brumfield
Dr. Deborah Casey
Lorianne Claudon
Nancy Colson
Dr. Eileen Ely
Chuck Folsom
George Frasier
Denton Hanford
John Holman

Gordy McLaren
Lisa Michalec
Marv Nelson
Lynn Norman
Frank Rasmussen
Jim Rottle
Byron Rupert
Linda Sprenger
Gail Spurrell
John Titus
Sue Westby

Officers

Officers as of June 30, 2014:

Sue Benedict, President
Jim Rottle, First Vice President
Dr. Eileen Ely, Second Vice President
Lisa Michalec, Interim Treasurer
Frank Rasmussen, Secretary

Tax Status

GRCCF is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Conflict of Interest

GRRCF's Conflict of Interest Policy requires each member of the BOD to submit a conflict of interest disclosure statement. Board members are expected to disclose any potential conflicts when issues arise during the year and excuse themselves from the discussions and voting on those issues. Based on our review, no exceptions were noted.

ORGANIZATION RECORDS

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

SEPARATE RESERVE FUND

GRCCF'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 GRCCF, 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, GRCCF was in compliance with RCW 48.38.020(3)(c)

which requires GRCCF to maintain a SRF balance equal to the actuarial calculation for annuity reserves plus a 10 percent surplus. However, the investment account statement submitted to the OIC identifies Green River Community College as the registered owner of the SRF instead of GRCCF. (See Instruction No. 1.)

SUBSEQUENT EVENTS

On February 17, 2015, a motion to change the name of Green River Community College Foundation to Green River College Foundation was passed. The BOD approved that GRCCF adopt the name Green River College Foundation effective February 17, 2015.

There were no additional material events which impacted GRCCF 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 GRCCF's annual reports.

FINANCIAL STATEMENTS

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

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

Green River Community College Foundation
Statement of Financial Position
June 30, 2014

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>	<u>Notes</u>
Assets				
Cash and cash equivalents	\$133,545	\$1,299	\$134,844	1
Pooled Investments, net	14,559,933	17,763	14,577,696	1
CGA Investments	249,377	0	249,377	
Other assets	<u>892,872</u>	<u>50,986</u>	<u>943,858</u>	1
Total Assets	<u>\$15,835,727</u>	<u>\$70,048</u>	<u>\$15,905,775</u>	
Liabilities and Net Assets				
Accounts payable	\$0	\$36,828	\$36,828	1
CGA liabilities	0	120,260	120,260	1
Other liabilities	0	466,191	466,191	1
Total Liabilities	<u>0</u>	<u>623,279</u>	<u>623,279</u>	
Net Assets				
Unrestricted	7,875,558	(1,675,485)	6,200,073	1
Temporarily restricted	1,732,147	1,121,055	2,853,202	1
Permanently restricted	<u>6,228,022</u>	<u>1,199</u>	<u>6,229,221</u>	1
Total Net Assets	<u>15,835,727</u>	<u>(553,231)</u>	<u>15,282,496</u>	
Total Liabilities and Net Assets	<u>\$15,835,727</u>	<u>\$70,048</u>	<u>\$15,905,775</u>	

Green River Community College 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>	<u>Notes</u>
Total revenues	\$2,984,034	\$279,960	\$3,263,994	1
Total expenses	<u>1,146,245</u>	<u>304,824</u>	<u>1,451,069</u>	1
Increase (decrease) in net assets	1,837,789	(24,864)	1,812,925	
Net assets at beginning of year	<u>13,469,571</u>	<u>0</u>	<u>13,469,571</u>	
Net assets at end of year	<u>\$15,307,360</u>	<u>(\$24,864)</u>	<u>\$15,282,496</u>	

NOTES TO THE FINANCIAL STATEMENTS

1. To reflect the certified public accountant's audit adjustments made after the 2014 OIC Annual Report filing.

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Green River Community College 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,

A handwritten signature in cursive script, reading "Orlando Gabriel", is written over a horizontal line.

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

