

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION
OF THE CHARITABLE GIFT ANNUITY BUSINESS
OF
OVERLAKE HOSPITAL FOUNDATION
BELLEVUE, WASHINGTON

June 30, 2013

Order No. 14-24
Overlake Hospital Foundation
Exhibit A

SALUTATION

Seattle, Washington
February 19, 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:

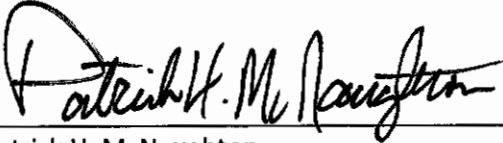
In accordance with your instructions and in compliance with the statutory requirements of Chapter 48.38 RCW, Charitable Gift Annuity Business, an examination was made of the corporate matters and financial records pertaining to the charitable gift annuity (CGA) business of

Overlake Hospital Foundation
of
Bellevue, Washington

hereinafter referred to as "OHF" at its office, 1231 116th Avenue NE, Bellevue, WA 98004. This report of examination is respectfully submitted showing the financial condition and related corporate matters of the CGA business of OHF 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 Overlake Hospital Foundation of Bellevue, Washington. This report shows the financial condition of the CGA business and related corporate matters of Overlake Hospital Foundation as of June 30, 2013.



Patrick H. McNaughton
Chief Examiner

2-19-14

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. OHF'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, OHF'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 Bellevue office of OHF by examiners from the state of Washington.

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

OHF is licensed as a charitable not-for-profit organization. OHF's purpose is to: (a) receive grants, bequest, donations, and contributions on behalf of; (b) provide fund-raising and other support to; and (c) make contributions to, Overlake Hospital Medical Center and its related tax exempt corporations.

Territory and Plan of Operation

On June 16, 1997, the OIC granted OHF a Certificate of Exemption No. 105 to conduct a CGA business in the state of Washington. There were 23 in-force contracts as of June 30, 2013.

Total Net Assets

OHF's total net assets as of June 30, 2013 were \$11,051,857. This amount included unrestricted net assets of \$3,797,049. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

Growth

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

Schedule 1 – Statement of Financial Position

Year	Assets	Liabilities	Total Net		Temporarily Restricted	Permanently Restricted
			Assets	Unrestricted		
2013	\$11,203,660	\$151,803	\$11,051,857	\$3,797,049	\$1,902,561	\$5,352,247
2012	10,192,160	183,414	10,008,746	3,361,605	1,765,829	4,881,312
2011	9,887,038	198,862	9,688,176	3,208,301	1,854,608	4,625,267
2010	8,331,487	224,972	8,106,515	2,823,563	677,835	4,605,117
2009	8,450,918	186,503	8,264,415	2,606,131	1,159,496	4,498,788

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	\$4,956,066	\$5,617,316	\$4,310,440	\$1,248,821	\$1,414,389
Total expenses	<u>3,912,955</u>	<u>5,296,746</u>	<u>2,728,779</u>	<u>1,395,275</u>	<u>3,381,342</u>
Increase (decrease) in net assets	1,043,111	320,570	1,581,661	(146,454)	(1,966,953)
Other changes in net assets				(11,446)	(933,044)
Net assets at beginning of year	<u>10,008,746</u>	<u>9,688,176</u>	<u>8,106,515</u>	<u>8,264,415</u>	<u>11,164,412</u>
Net assets at end of year	<u>\$11,051,857</u>	<u>\$10,008,746</u>	<u>\$9,688,176</u>	<u>\$8,106,515</u>	<u>\$8,264,415</u>
Number of gift annuity contracts	23	23	22	21	19

AFFILIATED ORGANIZATIONS

Overlake Hospital Medical Center (OHMC), a Washington not-for-profit medical center, is the parent of OHF. OHMC provides support to OHF to cover all expenses of OHF. OHF in turn contributes all funds raised that are not restricted as an endowment, trust, or annuity to OHMC.

MANAGEMENT AND CONTROL

Management

OHF is governed by a Board of Trustees (BOT). The Bylaws require the BOT to consist of at least 15 members, who are elected by the BOT of OHMC to serve three year terms. The President is the Chief Executive Officer who is the BOT's representative in the overall management of OHF.

Board of Trustees

Trustees as of June 30, 2013:

Peter Glidden, Chairman
Ted Herb, Chairman Elect
Lauren Bennett
Ned Clapp

Steve Nicholes
John O'Rourke
Mark Quehrn
Sue Rachella

Phillip Corneil
Patricia Donnellan
Sergei Dreizin
Alice Harris
Craig Hendrickson
David Knoepfler, M.D.
Tiffany Koenig
Linda Mahaffey
Warren Michelsen

Shirley Schumacher
Tara Reimers, M.D.
Vandana Slatter
Susan Smith
Roger Stark, M.D.
Molly Stearns
Jason Stearns
Timothy Woosley

Officers

Officers as of June 30, 2013:

Craig Hendrickson, President and Chief Executive Officer
Peter Glidden, Chairman
Ted Herb, Chairman Elect
Linda Mahaffey, Immediate Past Chair
Shirley Schumacher, Secretary
Molly Stearns, Executive Director
Jason Thompson, Treasurer

Tax Status

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

Conflict of Interest

OHF's policy requires each member of the BOT and all officers, directors, and all members of management to sign a conflict of interest questionnaire once per year. The signed questionnaire is reviewed by an appropriate committee to determine if actual conflicts of interest exist. Formal procedures exist for remedying conflicts of interest. No exceptions were noted.

ORGANIZATION RECORDS

The BOT meets regularly to discuss any pertinent business of OHF. Minutes of the meetings of the BOT documented the approval of OHF's transactions and events. No exceptions were noted.

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 OHF's annuity contract reserves as computed under RCW 48.38.020(3)(a) and (b) should be \$231,282 for 23 in-force annuity contracts as of June 30, 2013. This amount was properly reported in OHF's 2013 Annual Report.

ANNUITY ASSETS CUSTODIAL FUNCTION

The separate reserve fund assets were held legally and physically segregated from the other assets of OHF as required by RCW 48.38.020(2)(a). The market values of the annuity investments as of June 30, 2013 were \$424,740 and consisted of cash, bond mutual funds, and equity mutual funds. The annuity investments were properly reported in the financial statements at market value.

SUBSEQUENT EVENTS

There were no additional material events which impacted OHF 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 OHF's annual reports and financial statements.

FINANCIAL STATEMENTS

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

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

**Overlake Hospital Foundation
Statement of Financial Position
June 30, 2013**

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
Assets			
Cash	\$262,262	\$0	\$262,262
Pledges receivable and other current assets	737,654		737,654
Assets whose use is limited	9,671,229		9,671,229
CGA investments	424,740		424,740
Building improvements and equipment, net	107,775		107,775
Total Assets	<u>\$11,203,660</u>	<u>\$0</u>	<u>\$11,203,660</u>
Liabilities and Net Assets			
Accounts payable and accrued liabilities	\$40,470	\$0	\$40,470
CGA liabilities	111,333		111,333
Total Liabilities	<u>151,803</u>	<u>0</u>	<u>151,803</u>
Net Assets			
Unrestricted	3,797,049	0	3,797,049
Temporarily restricted	1,902,561		1,902,561
Permanently restricted	5,352,247		5,352,247
Total Net Assets	<u>11,051,857</u>	<u>0</u>	<u>11,051,857</u>
Total Liabilities and Net Assets	<u>\$11,203,660</u>	<u>\$0</u>	<u>\$11,203,660</u>

**Overlake Hospital Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2013**

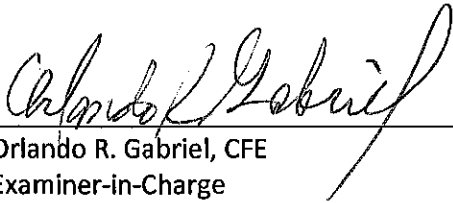
	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
Total revenues	\$4,956,066	\$0	\$4,956,066
Total expenses	3,912,955		3,912,955
Increase (decrease) in net assets	1,043,111	0	1,043,111
Net assets at beginning of year	10,008,746		10,008,746
Net assets at end of year	\$11,051,857	\$0	\$11,051,857

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Overlake Hospital 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 R. Gabriel", is written over a horizontal line.

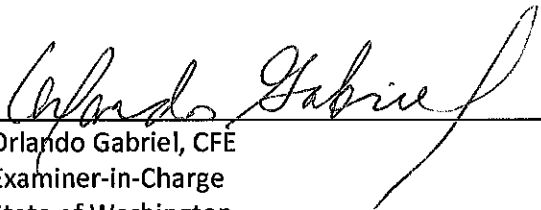
Orlando R. Gabriel, CFE
Examiner-in-Charge
State of Washington

AFFIDAVIT

STATE OF WASHINGTON }
 } ss
COUNTY OF KING }

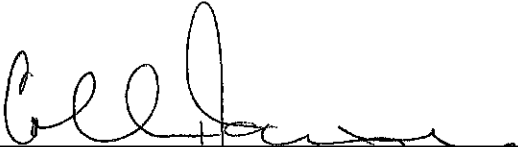
Orlando Gabriel, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of the Charitable Gift Annuity business of Overlake Hospital 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 19th day of February, 2014.



Notary Public in and for the
State of Washington

