

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION
OF THE CHARITABLE GIFT ANNUITY BUSINESS
OF
PANORAMA
LACEY, WASHINGTON
JULY 31, 2013

Order No. 14-97
Panorama
Exhibit A

SALUTATION

Seattle, Washington
March 10, 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

Panorama
of
Lacey, Washington

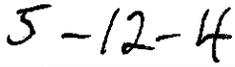
at its office, 1751 Circle Lane SE, Lacey, WA 98503. This report of examination is respectfully submitted showing the financial condition and related corporate matters of the CGA business of Panorama as of July 31, 2013.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of the Charitable Gift Annuity Business of Panorama of Lacey, Washington. This report shows the financial condition of the CGA business and related corporate matters of Panorama as of July 31, 2013.



Patrick H. McNaughton
Chief Examiner



Date

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SCOPE OF THE EXAMINATION

The examination covers the period August 1, 2008 through July 31, 2013. The scope of our examination focused only on the transactions and operations of the CGA business. Panorama'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, Panorama's certified public accountant's (CPA's) audit of the July 31, 2013 consolidated 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 Lacey office of Panorama by financial examiners from the state of Washington.

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

INSTRUCTIONS

1. CGA Agreements

Panorama failed to obtain OIC's advance approval of the revised contract forms that Panorama is currently offering to residents of this state. The language in paragraph 5, "Payout and Use Provisions" of the CGA contract forms currently issued by Panorama is different from the language in the "Payout and Use Provisions" of the CGA contract forms approved by OIC in 2010. The approved versions of the contract forms incorrectly state the unauthorized, non-existing entity, the "Foundation and its board of directors."

Panorama is instructed to comply with RCW 48.38.010(9) by filing the corrected CGA contract forms for OIC's approval.

COMMENTS AND RECOMMENDATIONS

None

ORGANIZATION PROFILE

History

Panorama is a Washington domestic not-for-profit corporation, incorporated in 1964 as a continuing care retirement community located in Lacey, Washington.

Territory and Plan of Operation

On November 23, 2009, the OIC granted Panorama a Certificate of Exemption No. 500505 to conduct a CGA business in the state of Washington as a result of the Plan of Merger entered into by and between Panorama City Foundation (Foundation), the disappearing entity, and Panorama, the surviving entity, on January 19, 2010. After the execution of the merger, Panorama carried on the CGA business previously conducted by the Foundation. The Foundation is now a department within Panorama. There were 15 in-force contracts as of July 31, 2013.

Total Net Assets

Panorama's total net assets as of July 31, 2013 were \$57,491,922. This amount included unrestricted net assets of \$57,489,132. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

Growth

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

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> |
|-------------|---------------|--------------------|-------------------------|---------------------|-------------------------------|-------------------------------|
| 2013 | \$171,951,093 | \$114,459,171 | \$57,491,922 | \$57,489,132 | \$2,790 | \$0 |
| 2012 | 166,393,267 | 113,161,762 | 53,231,505 | 53,229,194 | 2,311 | 0 |
| 2011 | 160,370,891 | 111,813,522 | 48,557,369 | 48,557,369 | 0 | 0 |
| 2010 | 156,753,515 | 112,443,403 | 44,310,112 | 44,297,757 | 12,355 | 0 |
| 2009 | 149,316,709 | 114,230,732 | 35,085,977 | 34,778,121 | 307,856 | 0 |

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 | \$41,996,621 | \$41,019,526 | \$39,249,080 | \$43,427,020 | \$37,178,863 |
| Total expenses | <u>37,736,204</u> | <u>36,345,390</u> | <u>35,001,823</u> | <u>34,202,885</u> | <u>34,359,833</u> |
| Increase (decrease) in net assets | 4,260,417 | 4,674,136 | 4,247,257 | 9,224,135 | 2,819,030 |
| Net assets at beginning of year | <u>53,231,505</u> | <u>48,557,369</u> | <u>44,310,112</u> | <u>35,085,977</u> | <u>32,266,947</u> |
| Net assets at end of year | <u>\$57,491,922</u> | <u>\$53,231,505</u> | <u>\$48,557,369</u> | <u>\$44,310,112</u> | <u>\$35,085,977</u> |

| | | | | | |
|----------------------------------|----|----|----|----|----|
| Number of gift annuity contracts | 15 | 15 | 14 | 15 | 15 |
|----------------------------------|----|----|----|----|----|

AFFILIATED ORGANIZATIONS

Panorama has no affiliated organizations.

MANAGEMENT AND CONTROL

Management

According to the Articles of Incorporation, the management of Panorama shall be vested in a Board of Directors (BOD). The number of directors shall be fixed by the Bylaws. The BOD shall consist of not less than three and not more than seven directors, which number may be changed from time to time by an amendment to the Bylaws. The President is the chief executive officer who supervises and controls all of the business and affairs of Panorama.

Board of Directors

Directors as of July 31, 2013:

Fred Goldberg, Chair
Daryl Jensen, Vice Chair
Dr. William Gavin

Nancy Mason
Ralph Munro
James Olson

Officers

Officers as of July 31, 2013:

Joseph Di Santo, President and Chief Executive Officer
Charles Strader, Vice President and Treasurer
Jill Huentelman, Secretary

Tax Status

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

Conflict of Interest

Panorama's policy requires each member of the BOD and all officers to sign a statement once per year acknowledging 1) receipt of the policy, and 2) their understanding of the contents and the requirement to be bound in compliance with the policy. The policy dictates the protocol to be followed for transactions or arrangements which create a conflict of interest. No exceptions were noted.

ORGANIZATION RECORDS

The BOD meets monthly to discuss any pertinent business to Panorama. Minutes of the meetings of the BOD documented the approval of Panorama's transactions and events. No exceptions were noted.

SEPARATE RESERVE FUND

Panorama'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 Panorama, 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, Panorama was in compliance with RCW 48.38.020(3)(c) which requires Panorama 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 Panorama 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 Panorama's annual reports and financial statements.

FINANCIAL STATEMENTS

The following financial statements show the unconsolidated financial condition of Panorama as of July 31, 2013:

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

**Panorama
Statement of Financial Position
July 31, 2013**

| | <u>Balance Per Annual Report</u> | <u>Examination Adjustments</u> | <u>Balance Per Examination</u> |
|---|--------------------------------------|------------------------------------|------------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$5,357,882 | \$0 | \$5,357,882 |
| Investments | 44,115,189 | | 44,115,189 |
| CGA Investments | 327,189 | | 327,189 |
| Property and equipment, net | 116,907,060 | | 116,907,060 |
| Other assets | 5,243,773 | | 5,243,773 |
| Total Assets | <u>\$171,951,093</u> | <u>\$0</u> | <u>\$171,951,093</u> |
| Liabilities and Net Assets | | | |
| Deferred revenues - entrance fees | \$65,510,424 | \$0 | \$65,510,424 |
| CGA liabilities | 209,598 | | 209,598 |
| Other liabilities | 48,739,149 | | 48,739,149 |
| Total Liabilities | <u>114,459,171</u> | <u>0</u> | <u>114,459,171</u> |
| Net Assets | | | |
| Unrestricted | 57,489,132 | 0 | 57,489,132 |
| Temporarily restricted | 2,790 | | 2,790 |
| Permanently restricted | 0 | | 0 |
| Total Net Assets | <u>57,491,922</u> | <u>0</u> | <u>57,491,922</u> |
| Total Liabilities and Net Assets | <u>\$171,951,093</u> | <u>\$0</u> | <u>\$171,951,093</u> |

Panorama
Statement of Activities and Changes in Net Assets
For the Year Ended July 31, 2013

| | <u>Balance Per Annual Report</u> | <u>Examination Adjustments</u> | <u>Balance Per Examination</u> |
|-----------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| Total revenues | \$41,996,621 | \$0 | \$41,996,621 |
| Total expenses | <u>37,736,204</u> | | <u>37,736,204</u> |
| Increase (decrease) in net assets | 4,260,417 | 0 | 4,260,417 |
| Net assets at beginning of year | <u>53,231,505</u> | | <u>53,231,505</u> |
| Net assets at end of year | <u>\$57,491,922</u> | <u>\$0</u> | <u>\$57,491,922</u> |

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Panorama 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

