Order No. 15-65
Union Gospel Mission of Yakima, Washington
Exhibit A
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

**Union Gospel Mission of Yakima, Washington**

of

Yakima, Washington

hereinafter referred to as “UGMY.” 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 UGMY as of October 31, 2013.
CHIEF EXAMINER'S AFFIDAVIT


Patrick H. McNaughton
Chief Examiner

3-18-15
Date
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SCOPE OF THE EXAMINATION

The examination covers the period November 1, 2009 through October 31, 2013. The scope of our examination focused only on the transactions and operations of the CGA business. UGMY'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, UGMY's October 31, 2013 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 UGMY's CGA OIC Annual Reports as part of the statutory examination. This review was performed to determine if UGMY completed the OIC Annual Reports in accordance with the OIC Annual Report Instructions and to verify that UGMY's accounts and records were prepared and maintained in accordance with RCW 48.38.010(10)(a).

INSTRUCTIONS

NONE

COMMENTS AND RECOMMENDATIONS

1. Conflict of Interest Policy

UGMY has no conflict of interest policy. UGMY's Bylaws do not include a code of conduct or regulations for conflicts of interest.

It is recommended that UGMY develop and implement a conflict of interest policy which requires all Board of Directors (BOD), officers, and key employees to complete and sign an annual conflict of interest questionnaire which is reviewed annually by the BOD.

2. Documentation of Closed Annuity Contract

UGMY did not obtain a certified copy of the death certificate to document an annuitant's death on July 21, 2013.

It is recommended that UGMY obtain and retain, in an annuitant's file, a certified copy of the death certificate to document an annuitant's death.
ORGANIZATION PROFILE

History
UGMY, formerly known as Yakima Union Gospel Mission, has had the mission of helping the homeless and needy people of the Yakima Valley since 1936. Representatives of several different Yakima churches personally financed and started the ministry, and in 1941, registered as a 501(c)(3) religious non-profit organization.

Territory and Plan of Operation
On July 25, 2005, the OIC granted UGMY a Certificate of Exemption No. 279 to conduct a CGA business in the state of Washington. There were six in-force annuity contracts as of October 31, 2013.

Total Net Assets
UGMY's total net assets as of October 31, 2012 were $4,791,341. This amount included unrestricted net assets of $4,473,171. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

Growth
The growth of UGMY for the past five years, as of October 31, is reflected in the following schedules based on the organization’s audited financial statements:

Schedule 1 – Statement of Financial Position

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Total Net Assets</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>4,414,589</td>
<td>351,250</td>
<td>4,063,339</td>
<td>3,601,338</td>
<td>462,001</td>
<td>0</td>
</tr>
<tr>
<td>2011</td>
<td>4,273,642</td>
<td>265,159</td>
<td>4,008,483</td>
<td>3,793,940</td>
<td>214,543</td>
<td>0</td>
</tr>
<tr>
<td>2010</td>
<td>4,476,043</td>
<td>328,310</td>
<td>4,147,733</td>
<td>4,134,806</td>
<td>12,927</td>
<td>0</td>
</tr>
<tr>
<td>2009</td>
<td>4,462,899</td>
<td>327,706</td>
<td>4,135,193</td>
<td>4,131,404</td>
<td>3,789</td>
<td>0</td>
</tr>
</tbody>
</table>

Schedule 2 – Statement of Activities and Changes in Net Assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>$5,526,461</td>
<td>$4,127,338</td>
<td>$4,283,739</td>
<td>$4,128,282</td>
<td>$3,285,486</td>
</tr>
<tr>
<td>Total expenses</td>
<td>4,798,459</td>
<td>4,072,482</td>
<td>4,422,989</td>
<td>4,115,742</td>
<td>3,397,706</td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>728,002</td>
<td>54,856</td>
<td>(139,250)</td>
<td>12,540</td>
<td>(54,220)</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>4,063,339</td>
<td>4,008,483</td>
<td>4,147,733</td>
<td>4,135,193</td>
<td>4,189,413</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$4,791,341</td>
<td>$4,063,339</td>
<td>$4,008,483</td>
<td>$4,147,733</td>
<td>$4,135,193</td>
</tr>
</tbody>
</table>

| Number of gift annuity contracts in force | 6 | 7 | 7 | 6 | 5 |
AFFILIATED ORGANIZATIONS

UGM Foundation of Yakima is a nonprofit organization to promote, develop, invest, and manage long-term funding sources for the purpose of supporting the ministries of UGMY.

MANAGEMENT AND CONTROL

Management
According to the restated Constitution and Bylaws, the setting of all the policies of UGMY is the responsibility of a Board of Directors (BOD) consisting of not less than 10 and not more than 15 members. The officers of UGMY consist of a president, a vice president, a secretary, and a treasurer who are elected each year by the BOD at their annual meeting. The president executes all deeds, contracts and other obligations and instruments authorized by the BOD. The president presides at all BOD meetings. The BOD also appoints an executive director who is responsible for the day-to-day operations of UGMY.

Board of Directors
Directors as of October 31, 2013:

Gene Barlow
Mark Burton
Larry Day
Larry Hasen
Dave Hawes
DeNard Jones

Rick Phillips
Buzz Rowe
Merle Smith
Derek Sutton
Phil Wachsmith

Officers
Officers as of October 31, 2013:

Dave Hawes, President
Derek Sutton, Vice-President
Larry Hasen, Treasurer
Buzz Rowe, Secretary
Rick Phillips, Executive Director

Tax Status
UGM is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. UGMY received a determination letter from the Department of the Treasury, Internal Revenue Service (IRS), on April 27, 2011 indicating that UGMY is not required to file IRS Form 990.

Conflict of Interest
UGM has no conflict of interest policy. (See Comment and Recommendation No. 1.)
ORGANIZATION RECORDS

The BOD meets 11 times a year to discuss any business which is pertinent to UGMY. BOD meeting minutes documented the approval of UGMY’s transactions and events. No exceptions were noted.

SEPARATE RESERVE FUND

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

FINANCIAL STATEMENTS

The following financial statements show the financial condition of UGMY as of October 31, 2013:

Statement of Financial Position
Statement of Activities and Changes in Net Assets
United Gospel Mission of Yakima, Washington  
Statement of Financial Position  
October 31, 2013

<table>
<thead>
<tr>
<th>Assets</th>
<th>Balance Per Annual Report</th>
<th>Examination Adjustments</th>
<th>Balance Per Examination</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$719,977</td>
<td>$0</td>
<td>$719,977</td>
<td></td>
</tr>
<tr>
<td>Investments, securities</td>
<td>199,435</td>
<td></td>
<td>199,435</td>
<td></td>
</tr>
<tr>
<td>CGA cash</td>
<td>16,156</td>
<td></td>
<td>16,156</td>
<td></td>
</tr>
<tr>
<td>CGA investments</td>
<td>25,999</td>
<td></td>
<td>25,999</td>
<td></td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>4,222,983</td>
<td>14,146</td>
<td>4,237,129</td>
<td>1</td>
</tr>
<tr>
<td>Other assets</td>
<td>34,781</td>
<td></td>
<td>34,781</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$5,219,331</strong></td>
<td><strong>$14,146</strong></td>
<td><strong>$5,233,477</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>Balance Per Annual Report</th>
<th>Examination Adjustments</th>
<th>Balance Per Examination</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGA liabilities</td>
<td>$13,872</td>
<td>$0</td>
<td>$13,872</td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>438,770</td>
<td>(10,506)</td>
<td>428,264</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>452,642</strong></td>
<td><strong>(10,506)</strong></td>
<td><strong>442,136</strong></td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>4,358,944</td>
<td>114,227</td>
<td>4,473,171</td>
<td>1</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>393,873</td>
<td>(75,703)</td>
<td>318,170</td>
<td>1</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>13,872</td>
<td>(13,872)</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td><strong>4,766,689</strong></td>
<td><strong>24,652</strong></td>
<td><strong>4,791,341</strong></td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td><strong>$5,219,331</strong></td>
<td><strong>$14,146</strong></td>
<td><strong>$5,233,477</strong></td>
<td></td>
</tr>
</tbody>
</table>

Union Gospel Mission of Yakima, Washington  
Statement of Activities and Changes in Net Assets  
For the Year Ended October 31, 2013

<table>
<thead>
<tr>
<th>Balance Per Annual Report</th>
<th>Examination Adjustments</th>
<th>Balance Per Examination</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>$5,527,066</td>
<td>($605)</td>
<td>$5,526,461</td>
</tr>
<tr>
<td>Total expenses</td>
<td>4,792,873</td>
<td>5,586</td>
<td>4,798,459</td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>734,193</td>
<td>(6,191)</td>
<td>728,002</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>4,032,496</td>
<td>30,843</td>
<td>4,063,339</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td><strong>$4,766,689</strong></td>
<td><strong>$24,652</strong></td>
<td><strong>$4,791,341</strong></td>
</tr>
</tbody>
</table>

NOTES TO THE FINANCIAL STATEMENTS

Examination adjustments to UGMY 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 property and equipment of $14,146; a decrease in other liabilities of $10,506; an increase in unrestricted net assets of $114,227, a decrease in temporarily restricted net assets of $75,703; a decrease in permanently restricted net assets of $13,872; a decrease in revenues of $605; an increase in expenses of $5,586; and an increase in net assets at beginning of year of $30,843.
ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Union Gospel Mission of Yakima, Washington 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 Union Gospel Mission of Yakima, Washington 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.

[Signature]
Orlando Gabriel, CFE
Examiner-in-Charge
State of Washington

Subscribed and sworn to before me this 18th day of March, 2015.

[Signature]
Notary Public in and for the
State of Washington
March 12, 2015

William R. Michels
Deputy Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

Dear Mr. Michels:

We have received your draft of the referenced report of examination and have reviewed it. All appears to be in order except that the official name of the affiliated organization (page 3) is the U. G. M. Foundation of Yakima. The name listed, Union Gospel Mission of Yakima Foundation, is certainly recognizable as the same entity, but that is not the official name.

We do wish to thank the audit team. They were complete in their requirements but very polite in the process.

Sincerely,

Rick C. Phillips
Executive Director

Order No. 15-65
Union Gospel Mission of Yakima, Washington
Exhibit B