

STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION  
OF THE CHARITABLE GIFT ANNUITY BUSINESS  
OF  
UNION GOSPEL MISSION OF YAKIMA, WASHINGTON  
YAKIMA, WASHINGTON  
OCTOBER 31, 2013

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

**SALUTATION**

Seattle, Washington  
February 3, 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

**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

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



Patrick H. McNaughton  
Chief Examiner



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

Year	Assets	Liabilities	Total Net Assets	Unrestricted	Temporarily Restricted	Permanently Restricted
2013	\$5,233,477	\$442,136	\$4,791,341	\$4,473,171	\$318,170	\$0
2012	4,414,589	351,250	4,063,339	3,601,338	462,001	0
2011	4,273,642	265,159	4,008,483	3,793,940	214,543	0
2010	4,476,043	328,310	4,147,733	4,134,806	12,927	0
2009	4,462,899	327,706	4,135,193	4,131,404	3,789	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	\$5,526,461	\$4,127,338	\$4,283,739	\$4,128,282	\$3,285,486
Total expenses	4,798,459	4,072,482	4,422,989	4,115,742	3,339,706
Increase (decrease) in net assets	728,002	54,856	(139,250)	12,540	(54,220)
Net assets at beginning of year	4,063,339	4,008,483	4,147,733	4,135,193	4,189,413
<b>Net assets at end of year</b>	<b><u>\$4,791,341</u></b>	<b><u>\$4,063,339</u></b>	<b><u>\$4,008,483</u></b>	<b><u>\$4,147,733</u></b>	<b><u>\$4,135,193</u></b>

Number of gift annuity contracts  
in force

6	7	7	6	5
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## **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	Rick Phillips
Mark Burton	Buzz Rowe
Larry Day	Merle Smith
Larry Hasen	Derek Sutton
Dave Hawes	Phil Wachsmith
DeNard Jones	

### **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**

UGMY 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**

UGMY 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**

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>	<u>Notes</u>
<b>Assets</b>				
Cash and cash equivalents	\$719,977	\$0	\$719,977	
Investments, securities	199,435		199,435	
CGA cash	16,156		16,156	
CGA investments	25,999		25,999	
Property and equipment, net	4,222,983	14,146	4,237,129	1
Other assets	34,781		34,781	
<b>Total Assets</b>	<b><u>\$5,219,331</u></b>	<b><u>\$14,146</u></b>	<b><u>\$5,233,477</u></b>	
<b>Liabilities and Net Assets</b>				
CGA liabilities	\$13,872	\$0	\$13,872	
Other liabilities	438,770	(10,506)	428,264	1
<b>Total Liabilities</b>	<b><u>452,642</u></b>	<b><u>(10,506)</u></b>	<b><u>442,136</u></b>	
<b>Net Assets</b>				
Unrestricted	4,358,944	114,227	4,473,171	1
Temporarily restricted	393,873	(75,703)	318,170	1
Permanently restricted	13,872	(13,872)	0	1
<b>Total Net Assets</b>	<b><u>4,766,689</u></b>	<b><u>24,652</u></b>	<b><u>4,791,341</u></b>	
<b>Total Liabilities and Net Assets</b>	<b><u>\$5,219,331</u></b>	<b><u>\$14,146</u></b>	<b><u>\$5,233,477</u></b>	

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

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>	<u>Notes</u>
Total revenues	\$5,527,066	(\$605)	\$5,526,461	1
Total expenses	4,792,873	5,586	4,798,459	1
Increase (decrease) in net assets	734,193	(6,191)	728,002	
Net assets at beginning of year	4,032,496	30,843	4,063,339	1
<b>Net assets at end of year</b>	<b><u>\$4,766,689</u></b>	<b><u>\$24,652</u></b>	<b><u>\$4,791,341</u></b>	

**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,

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





UNION GOSPEL MISSION

March 12, 2015

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

RECEIVED

MAR 16 2015

Insurance Commissioner  
Company Supervision

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

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