STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

FINANCIAL EXAMINATION
OF THE CHARITABLE GIFT ANNUITY BUSINESS
OF
UNITED WAY OF CLALLAM COUNTY
PORT ANGELES, WASHINGTON

MARCH 31, 2014

Order No. 15-137
United Way of Clallam County
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

United Way of Clallam County
of
Port Angeles, Washington

hereinafter referred to as “UWCC”. 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 UWCC as of March 31, 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 United Way of Clallam County of Port Angeles, Washington. This report shows the financial condition of the CGA business and related corporate matters of United Way of Clallam County as of March 31, 2014.

Patrick H. McNaughton
Chief Examiner

5-20-15
Date
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SCOPE OF THE EXAMINATION

The examination covers the period April 1, 2009 through March 31, 2014. The scope of our examination focused only on the transactions and operations of the CGA business. UWCC’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, UWCC’s March 31, 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 UWCC’s CGA OIC Annual Reports as part of the statutory examination. This review was performed to determine if UWCC completed the OIC Annual Reports in accordance with the OIC Annual Report Instructions and to verify that UWCC’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
UWCC was incorporated in 1952 under the name United Good Neighbor Fund of Clallam County and was renamed United Way of Clallam County in 1974.

Territory and Plan of Operation
On November 15, 2000, the OIC granted UWCC a Certificate of Exemption No. 153 to conduct a CGA business in the state of Washington. There were four in-force annuity contracts as of March 31, 2014.

Total Net Assets
UWCC’s total net assets as of March 31, 2014 were $4,256,321. This amount included unrestricted net assets of $2,384,705. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).
Growth
The growth of UWCC for the past five years, as of March 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>Temporarily Restricted</th>
<th>Permanently Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$5,039,354</td>
<td>$783,033</td>
<td>$4,256,321 $2,384,705</td>
<td>$1,871,616 $0</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>4,843,588</td>
<td>797,457</td>
<td>4,046,131 2,303,271</td>
<td>1,742,860 0</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>4,543,203</td>
<td>769,812</td>
<td>3,773,391 2,125,950</td>
<td>1,647,441 0</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>4,558,680</td>
<td>866,959</td>
<td>3,691,721 2,154,078</td>
<td>1,537,643 0</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>3,184,106</td>
<td>830,785</td>
<td>2,353,321 982,197</td>
<td>1,371,124 0</td>
<td></td>
</tr>
</tbody>
</table>

Schedule 2 – Statement of Activities and Changes in Net Assets

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>$1,252,787</td>
<td>$1,356,947</td>
<td>$1,147,137</td>
<td>$2,338,688</td>
<td>$1,404,925</td>
</tr>
<tr>
<td>Total expenses</td>
<td>1,042,597</td>
<td>1,084,207</td>
<td>1,065,467</td>
<td>1,000,288</td>
<td>983,046</td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>210,190</td>
<td>272,740</td>
<td>81,670</td>
<td>1,338,400</td>
<td>421,879</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>4,046,131</td>
<td>3,773,391</td>
<td>3,691,721</td>
<td>2,353,321</td>
<td>1,931,442</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$4,256,321</td>
<td>$4,046,131</td>
<td>$3,773,391</td>
<td>$3,691,721</td>
<td>$2,353,321</td>
</tr>
</tbody>
</table>

Number of gift annuity contracts in force
4 4 4 4 4

AFFILIATED ORGANIZATIONS
None

MANAGEMENT AND CONTROL
Management
According to the Bylaws, UWCC is governed by a Board of Directors (BOD) consisting of not less than 21, or more than 60 members. The officers of UWCC consist of a president, a vice president, and a treasurer who are elected by the BOD from its membership. The president has general supervision, direction, and control of the affairs of UWCC.
Board of Directors
Directors as of March 31, 2014:

John Albiso
Chrissy Amundson
Bobby Beeman
Abby Bohman
Don Bradley
Corey Delikat
Misty Dieffenbach
Mary Doherty
Joshua Fox
Betsy Fulwider
Greta Gieseke
Audrey Grafstrom
Trisha Haggerty

Linty Hopie
Pam Hunter
Jo Johnston
Paul McHugh
Keith McTigue
Sarah Methner
Lisa Meyer
Larry Morris
Grant Munro
Rosemary Newday
Kate Teefy
Tammy Rux

Officers
Officers as of March 31, 2014:

Don Bradley, President
Joshua Fox, Vice President
Betsy Fulwider, Treasurer

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

Conflict of Interest
According to UWCC's Conflict of Interest Policy, all directors and officers are required to disclose any potential conflicts of interest by completing and submitting an annual conflict of interest questionnaire to the president. The president discloses to the BOD all conflicts of interest reported to him or her under this Policy. The BOD evaluates the disclosures to determine whether they involve actual conflicts of interest and may attempt to develop alternatives to remove the conflict from the situation. Based on our review, no exceptions were noted.

ORGANIZATION RECORDS

The BOD meets 12 times a year to discuss any business which is pertinent to UWCC. BOD meeting minutes documented the approval of UWCC's transactions and events. No exceptions were noted.
SEPARATE RESERVE FUND

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

FINANCIAL STATEMENTS

The following financial statements show the financial condition of UWCC as of March 31, 2014:

Statement of Financial Position
Statement of Activities and Changes in Net Assets
### United Way of Clallam County
#### Statement of Financial Position
March 31, 2014

<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>$842,884</td>
<td>$0</td>
<td>$842,884</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>3,692,262</td>
<td></td>
<td>3,692,262</td>
<td></td>
</tr>
<tr>
<td>CGA Investments</td>
<td>123,224</td>
<td></td>
<td>123,224</td>
<td></td>
</tr>
<tr>
<td>Pledge receivables, net</td>
<td>331,946</td>
<td>(16,139)</td>
<td>315,807</td>
<td>1</td>
</tr>
<tr>
<td>Insurance policy</td>
<td>14,663</td>
<td>1,222</td>
<td>15,885</td>
<td>1</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>2,978</td>
<td>(36)</td>
<td>2,942</td>
<td>1</td>
</tr>
<tr>
<td>Other assets</td>
<td>46,350</td>
<td></td>
<td>46,350</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$5,054,307</td>
<td>($14,953)</td>
<td>$5,039,354</td>
<td></td>
</tr>
</tbody>
</table>

| Liabilities and Net Assets                  |                           |                         |                         |       |
| Accounts and other payables                 | $0                        | $749,195                | $749,195                | 1     |
| CGA liabilities                             | 0                         | 33,838                  | 33,838                  | 1     |
| **Total Liabilities**                       | 0                         | 783,033                 | 783,033                 |       |

| Net Assets                                  |                           |                         |                         |       |
| Unrestricted                                | 1,141,126                 | 1,243,579               | 2,384,705               | 1     |
| Temporarily restricted                       | 3,913,181                 | (2,041,565)             | 1,871,616               | 1     |
| Permanently restricted                       | 0                         | 0                       | 0                       |       |
| **Total Net Assets**                        | $5,054,307                | ($797,986)              | 4,256,321               |       |
| **Total Liabilities and Net Assets**        | $5,054,307                | ($14,953)               | $5,039,354              |       |

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### United Way of Clallam County
#### Statement of Activities and Changes in Net Assets
For the Year Ended March 31, 2014

<table>
<thead>
<tr>
<th></th>
<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>$1,296,989</td>
<td>($44,202)</td>
<td>$1,252,787</td>
<td>1</td>
</tr>
<tr>
<td>Total expenses</td>
<td>1,075,480</td>
<td>(32,883)</td>
<td>1,042,597</td>
<td>1</td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>221,509</td>
<td>(11,319)</td>
<td>210,190</td>
<td></td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>4,832,798</td>
<td>(786,667)</td>
<td>4,046,131</td>
<td>1</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$5,054,307</td>
<td>($797,986)</td>
<td>$4,256,321</td>
<td></td>
</tr>
</tbody>
</table>

### NOTES TO THE FINANCIAL STATEMENTS

1. To reflect generally accepted accounting principles adjustments and corrections from the unaudited estimated financial information that was reported to the OIC prior to completion of the audited financial statements.
ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of United Way of Clallam County 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 United Way of Clallam County 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 25th day of May, 2015.

[Signature]
Notary Public in and for the State of Washington