STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

FINANCIAL EXAMINATION
OF THE CHARITABLE GIFT ANNUITY BUSINESS
OF
VANCOUVER NATIONAL HISTORIC RESERVE TRUST
VANCOUVER, WASHINGTON

DECEMBER 31, 2013

Order No. 15-130
Vancouver National Historic Reserve Trust
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

Vancouver National Historic Reserve Trust
of
Vancouver, Washington

hereinafter referred to as “VNHRT.” 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 VNHRT as of December 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 Vancouver National Historic Reserve Trust of Vancouver, Washington. This report shows the financial condition of the CGA business and related corporate matters of Vancouver National Historic Trust as of December 31, 2013.

[Signature]

Patrick H. McNaughton
Chief Examiner

5-6-15

Date
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SCOPE OF THE EXAMINATION

The examination covers the period January 1, 2009 through December 31, 2013. The scope of our examination focused only on the transactions and operations of the CGA business. VNHRT’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, VNHRT’s December 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 VNHRT’s CGA OIC Annual Reports as part of the statutory examination. This review was performed to determine if VNHRT completed the OIC Annual Reports in accordance with the OIC Annual Report Instructions and to verify that VNHRT’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
VNHRT is a Washington domestic non-profit organization incorporated in 1998. Its purpose is to advance the interests of Vancouver National Historic Reserves, which includes several historic landmarks in the vicinity of the city of Vancouver, Washington.

Territory and Plan of Operation
On July 30, 2008, the OIC granted VNHRT a Certificate of Exemption No. 500284 to conduct a CGA business in the state of Washington. There were four in-force annuity contracts as of December 31, 2013, and all were issued to residents of the state of Washington.

Total Net Assets
VNHRT’s total net assets as of December 31, 2013 were $3,647,300. This amount included unrestricted net assets of $533,044. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).
Growth

The growth of VNHRVT for the past five years is reflected in the following schedules based on the organization’s audited financial statements.

Schedule 1 – Statement of Financial Position

<table>
<thead>
<tr>
<th>Fiscal 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>2013</td>
<td>$5,411,577</td>
<td>$1,764,277</td>
<td>$3,647,300</td>
<td>$533,044</td>
<td>$1,690,509</td>
</tr>
<tr>
<td>2012</td>
<td>4,146,333</td>
<td>3,317,545</td>
<td>827,788</td>
<td>3,102,389</td>
<td>1,230,534</td>
</tr>
<tr>
<td>2011</td>
<td>3,767,015</td>
<td>3,005,456</td>
<td>761,559</td>
<td>302,339</td>
<td>1,250,173</td>
</tr>
<tr>
<td>2010</td>
<td>3,688,812</td>
<td>761,559</td>
<td>3,005,456</td>
<td>343,745</td>
<td>1,402,814</td>
</tr>
<tr>
<td>2009</td>
<td>3,273,054</td>
<td>563,043</td>
<td>2,710,011</td>
<td>494,213</td>
<td>1,029,408</td>
</tr>
</tbody>
</table>

Schedule 2 – Statement of Activities and Changes in Net Assets

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>$4,006,823</td>
<td>$4,175,403</td>
<td>$3,647,568</td>
<td>$3,524,156</td>
<td>$3,166,154</td>
</tr>
<tr>
<td>Total expenses</td>
<td>3,677,068</td>
<td>3,863,314</td>
<td>3,665,501</td>
<td>3,210,778</td>
<td>2,651,203</td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>329,755</td>
<td>312,089</td>
<td>(17,933)</td>
<td>313,378</td>
<td>$14,951</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>3,317,545</td>
<td>3,005,456</td>
<td>3,023,389</td>
<td>2,710,011</td>
<td>2,195,060</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$3,647,300</td>
<td>$3,317,545</td>
<td>$3,005,456</td>
<td>$3,023,389</td>
<td>$2,710,011</td>
</tr>
</tbody>
</table>

Number of gift annuity contracts in force

| Year | 4 | 4 | 4 | 4 | 4 |

AFFILIATED ORGANIZATIONS

None

MANAGEMENT AND CONTROL

Management

VNHRVT's property and business are governed by a Board of Trustees (BOT) consisting of not less than nine and not more than 35 members. The trustees are elected by the BOT for a term of three years and may be re-elected to three additional consecutive three-year terms. All trustees have full voting rights.

Board of Trustees

Trustees as of December 31, 2013:

Ed Lynch, Co-Chair                         Bruce Hagensen
Bing Sheldon, Co-Chair                     Richard Keller, II
Stacey Graham, Vice Chair                  George Killian
Officers
Officers as of December 31, 2013:

Elson Strahan, President and CEO
Michael True, COO and CFO

Tax Status
VNHRT is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on unrelated business income.

Conflict of Interest
BOT members are required to submit a conflict of interest questionnaire annually. VNHRT’s policy statement indicates that should an actual or potential conflict of interest arise, it will be reviewed and voted upon by the BOT. Based on our review, no exceptions were noted.

ORGANIZATION RECORDS

The BOT meets four times a year to discuss business pertinent to VNHRT. BOT meeting minutes documented the approval of VNHRT’s transactions and events. No exceptions were noted.

SEPARATE RESERVE FUND (SRF)

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

FINANCIAL STATEMENTS

The following financial statements show the financial condition of VNHRT as of December 31, 2013:

Statement of Financial Position
Statement of Activities and Changes in Net Assets
Vancouver National Historic Reserve Trust  
Statement of Financial Position  
December 31, 2013

<table>
<thead>
<tr>
<th></th>
<th>Balance Per Annual Report</th>
<th>Examination Adjustments</th>
<th>Balance Per Examination</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,642,164</td>
<td>($49)</td>
<td>$2,642,115</td>
<td>1</td>
</tr>
<tr>
<td>Investments</td>
<td>1,962,111</td>
<td></td>
<td>1,962,111</td>
<td></td>
</tr>
<tr>
<td>CGA investments</td>
<td>294,851</td>
<td></td>
<td>294,851</td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>80,930</td>
<td>(38,228)</td>
<td>42,702</td>
<td>1</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>944,242</td>
<td>(772,300)</td>
<td>171,942</td>
<td>1</td>
</tr>
<tr>
<td>Other receivables, net</td>
<td>86,362</td>
<td>(50,808)</td>
<td>35,554</td>
<td>1</td>
</tr>
<tr>
<td>Other/Prepaid expenses</td>
<td>7,927</td>
<td>(5,803)</td>
<td>2,124</td>
<td>1</td>
</tr>
<tr>
<td>Building, furniture</td>
<td>260,178</td>
<td></td>
<td>260,178</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$6,278,765</strong></td>
<td><strong>($867,188)</strong></td>
<td><strong>$5,411,577</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued</td>
<td>$63,220</td>
<td>$8,569</td>
<td>$71,789</td>
<td>1</td>
</tr>
<tr>
<td>Accrued payroll</td>
<td>95,940</td>
<td>(3,435)</td>
<td>92,505</td>
<td>1</td>
</tr>
<tr>
<td>Master lease payable</td>
<td>282,922</td>
<td>(3,644)</td>
<td>279,278</td>
<td>1</td>
</tr>
<tr>
<td>Deferred Income</td>
<td>1,924,551</td>
<td>(889,435)</td>
<td>1,035,116</td>
<td>1</td>
</tr>
<tr>
<td>Deposits</td>
<td>114,030</td>
<td></td>
<td>114,030</td>
<td></td>
</tr>
<tr>
<td>CGA liabilities</td>
<td>155,872</td>
<td></td>
<td>155,872</td>
<td></td>
</tr>
<tr>
<td>Other Current liabilities</td>
<td>15,778</td>
<td>(91)</td>
<td>15,687</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>2,652,313</strong></td>
<td><strong>(888,036)</strong></td>
<td><strong>1,764,277</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>2,164,376</td>
<td>(1,631,332)</td>
<td>533,044</td>
<td>1</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>1,462,076</td>
<td>228,433</td>
<td>1,690,509</td>
<td>1</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td></td>
<td>1,423,747</td>
<td>1,423,747</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td><strong>3,626,452</strong></td>
<td><strong>20,848</strong></td>
<td><strong>3,647,300</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td></td>
<td><strong>($867,188)</strong></td>
<td><strong>$5,411,577</strong></td>
<td></td>
</tr>
</tbody>
</table>

5
Vancouver National Historic Reserve Trust
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013

<table>
<thead>
<tr>
<th></th>
<th>Balance Per Annual Report</th>
<th>Examination Adjustments</th>
<th>Balance Per Examination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>$3,767,146</td>
<td>$239,677</td>
<td>$4,006,823</td>
</tr>
<tr>
<td>Total expenses</td>
<td>3,458,001</td>
<td>219,057</td>
<td>3,677,068</td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>309,145</td>
<td>20,610</td>
<td>329,755</td>
</tr>
<tr>
<td>Other changes in net assets</td>
<td>(238)</td>
<td>238</td>
<td>0</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>3,317,545</td>
<td></td>
<td>3,317,545</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$3,526,452</td>
<td>$20,848</td>
<td>$3,647,300</td>
</tr>
</tbody>
</table>

NOTES TO THE FINANCIAL STATEMENTS

1. To reflect generally accepted accounting principle adjustments 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 Vancouver National Historic Trust during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner, Susan Campbell, CPA, CFE, FLMI, and Orlando Gabriel, CFE, from the Washington State Office of the Insurance Commissioner, participated in the examination and in the preparation of this report.

Respectfully submitted,

Constantine Arustamian, CFE, CIE, MCM, CPA, CPCU, FLMI, FFSI, ARC, ARM, ARE, AIS, AIAF, API
Financial Examiner
State of Washington
AFFIDAVIT

STATE OF WASHINGTON )
COUNTY OF KING ) ss

Constantine Arustamian, 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 Vancouver National Historic Trust 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.

Constantine Arustamian, CFE, CIE, MCM, CPA, CPCU, FLMI, FFSI, ARC, ARM, ARe, AIS, AIAF, API
Financial Examiner
State of Washington

Subscribed and sworn to before me this ___ day of May, 2015.

Notary Public in and for the State of Washington