

STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION  
OF THE CHARITABLE GIFT ANNUITY BUSINESS  
OF  
WESTERN WASHINGTON UNIVERSITY FOUNDATION  
BELLINGHAM, WASHINGTON

JUNE 30, 2013

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Order No. 14-131  
Western Washington University Foundation  
Exhibit A

**SALUTATION**

Seattle, Washington  
February 11, 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:

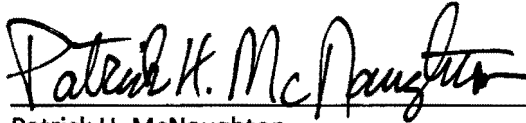
In accordance with your instructions and in compliance with the statutory requirements of Chapter 48.38 RCW, Charitable Gift Annuity Business, an examination was made of the corporate matters and financial records pertaining to the charitable gift annuity (CGA) business of

**Western Washington University Foundation**  
of  
Bellingham, Washington

hereinafter referred to as "WWUF" at its office, 516 High Street, Bellingham, WA 98225. This report of examination is respectfully submitted showing the financial condition and related corporate matters of the CGA business of WWUF as of June 30, 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 Western Washington University Foundation of Bellingham, Washington. This report shows the financial condition of the CGA business and related corporate matters of Western Washington University Foundation as of June 30, 2013.



Patrick H. McNaughton  
Chief Examiner

6-24-14

Date

**TABLE OF CONTENTS**

<b>SCOPE OF THE EXAMINATION</b> .....	1
<b>INSTRUCTIONS</b> .....	1
<b>COMMENTS AND RECOMMENDATIONS</b> .....	1
<b>ORGANIZATION PROFILE</b> .....	1
History .....	1
Territory and Plan of Operation .....	1
Total Net Assets.....	1
Growth.....	2
<b>AFFILIATED ORGANIZATIONS</b> .....	2
<b>MANAGEMENT AND CONTROL</b> .....	2
Management .....	2
Board of Directors .....	3
Officers .....	3
Tax Status.....	3
Conflict of Interest.....	3
<b>ORGANIZATION RECORDS</b> .....	4
<b>SEPARATE RESERVE FUND (SRF)</b> .....	4
<b>SUBSEQUENT EVENTS</b> .....	4
<b>ACCOUNTING RECORDS AND PROCEDURES</b> .....	4
<b>FINANCIAL STATEMENTS</b> .....	4
Statement of Financial Position.....	5
Statement of Activities and Changes in Net Assets.....	6
<b>NOTES TO THE FINANCIAL STATEMENTS</b> .....	6
<b>ACKNOWLEDGMENT</b> .....	7
<b>AFFIDAVIT</b> .....	8

## **SCOPE OF THE EXAMINATION**

The examination covers the period July 1, 2008 through June 30, 2013. The scope of our examination focused only on the transactions and operations of the CGA business. WWUF'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, WWUF's June 30, 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 examination was conducted at the Bellingham office of WWUF by financial examiners from the state of Washington.

The financial examiners reviewed WWUF's CGA OIC Annual Reports as part of the statutory examination. This review was performed to determine if WWUF completed the OIC Annual Reports in accordance with the OIC Annual Report Instructions and to verify that WWUF'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**

WWUF is a Washington nonprofit, charitable organization established in 1913. On July 10, 2003, OIC approved the name change from The Western Foundation to Western Washington University Foundation. WWUF exists to generate private support for the benefit of Western Washington University.

### **Territory and Plan of Operation**

On December 6, 1994, the OIC granted WWUF a Certificate of Exemption No. 67 to conduct a CGA business in the state of Washington. There were 14 in-force annuity contracts as of June 30, 2013, and all fourteen were issued to residents of the state of Washington.

### **Total Net Assets**

WWUF's total net assets as of June 30, 2013 were \$57,411,848. This amount included unrestricted net assets of \$14,230,832. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

## Growth

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

### Schedule 1 – Statement of Financial Position

<u>Fiscal 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	\$71,975,305	\$14,563,457	\$57,411,848	\$14,230,832	\$18,119,831	\$25,061,185
2012	64,736,125	13,538,860	51,197,265	10,904,221	16,961,391	23,331,653
2011	63,803,699	12,630,432	51,173,267	12,172,122	16,818,546	22,182,599
2010	47,308,923	2,501,298	44,807,625	9,846,966	13,392,949	21,567,710
2009	40,777,853	2,612,049	38,165,804	7,524,501	11,161,966	19,479,337

### 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	\$15,298,508	\$9,386,408	\$15,474,476	\$13,665,206	\$2,379,637
Total expenses	9,083,925	8,242,011	9,108,834	7,023,385	7,799,427
CPA Prior Period Adjustments		(1,120,399)			
Increase (decrease) in net assets	6,214,583	23,998	6,365,642	6,641,821	(5,419,790)
Net assets at beginning of year	51,197,265	51,173,267	44,807,625	38,165,804	43,585,594
Net assets at end of year	<u>\$57,411,848</u>	<u>\$51,197,265</u>	<u>\$51,173,267</u>	<u>\$44,807,625</u>	<u>\$38,165,804</u>

Number of gift annuity contracts                      14                      14                      14                      20                      20

\*The 2013 balances include examination adjustments. (See Financial Statements - Note 1.)

### AFFILIATED ORGANIZATIONS

None

### MANAGEMENT AND CONTROL

#### Management

Members of the Board of Directors (BOD) serve as advisors to the Governing Directors and the Executive Director of the Foundation. The current BOD is made up of 40 members plus four ex-officio members. Members of the BOD are elected for a term of three years and may be re-elected upon approval. Individual directors vote on matters that come before committees on which they serve.

## **Board of Directors**

Directors as of June 30, 2013:

Jerry Thon, Chair	Marjorie Hatter
Dan Guy, Vice Chair	Scott Houghton
Virginia Anderson	Kris Ilgenfritz
Sam Baker	Julie Larson-Green
Ralph Black	Dennis Madsen
Randy Bode	David Mann
Pete Botting	Dan McConnell
Steve Brinn	Ted Mischaikov
Jean Carter	Tony Pechthalt
Sue Cedergreen	Brad Rader
Bruce Clawson	Dr. Ralph Rinne
James Copacino	Marnie Roozen
Jack Cullen	Robin Russell
Margaret Curtis	Jeff Smyth
Dr. James Douglas	Ed Thomas
Joseph Erickson	John Warner
Karen Freeman	Scott Walker
Hoyt Gier	John Wolfe
Don Grant	Lisa Woo
Scott Harrington	

## **Officers**

Officers as of June 30, 2013:

Jerry Thon, President  
Dan Guy, Vice President  
Bruce Clawson, Treasurer  
Joseph Erickson, Secretary

## **Tax Status**

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

## **Conflict of Interest**

Members of the BOD are required to submit a conflict of interest questionnaire annually. WWUF's policy statement indicates that should an actual or potential conflict of interest arise, it will be reviewed and voted upon by the BOD. No exceptions were noted.

### **ORGANIZATION RECORDS**

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

### **SEPARATE RESERVE FUND (SRF)**

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

### **FINANCIAL STATEMENTS**

The following financial statements show the financial condition of WWUF as of June 30, 2013:

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



**Western Washington University Foundation**  
**Statement of Financial Position**  
**June 30, 2013**

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>	<u>Note</u>
<b>Assets</b>				
Cash and cash equivalents	\$437,771	\$0	\$437,771	
CGA investments	513,912		513,912	
Investments	65,802,134		65,802,134	
Property, plant, & equipment, net	569,285		569,285	
Other assets	4,652,203		4,652,203	
<b>Total Assets</b>	<b><u>\$71,975,305</u></b>	<b><u>\$0</u></b>	<b><u>\$71,975,305</u></b>	
<b>Liabilities and Net Assets</b>				
Accounts and other payables	\$193,165	\$0	\$193,165	
CGA liabilities	264,179	36,161	300,340	1
Investments held in trust for WWU	8,814,952		8,814,952	
Other liabilities	3,387,009	1,867,991	5,255,000	1
<b>Total Liabilities</b>	<b><u>12,659,305</u></b>	<b><u>1,904,152</u></b>	<b><u>14,563,457</u></b>	
<b>Net Assets</b>				
Unrestricted	\$13,547,000	\$683,832	\$14,230,832	1
Temporarily restricted	19,989,000	(1,869,169)	18,119,831	1
Permanently restricted	25,780,000	(718,815)	25,061,185	1
<b>Total Net Assets</b>	<b><u>59,316,000</u></b>	<b><u>(1,904,152)</u></b>	<b><u>57,411,848</u></b>	
<b>Total Liabilities and Net Assets</b>	<b><u>\$71,975,305</u></b>	<b><u>\$0</u></b>	<b><u>\$71,975,305</u></b>	

**Western Washington University Foundation**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2013**

	Balance Per Annual Report	Examination Adjustments	Balance Per Examination	Note
Total revenues	\$14,137,000	\$1,161,508	\$15,298,508	1
Total expenses	<u>6,341,000</u>	<u>2,742,925</u>	<u>9,083,925</u>	1
Increase (decrease) in net assets	7,796,000	(1,581,417)	6,214,583	
Net assets at beginning of year	<u>51,520,000</u>	<u>(322,735)</u>	51,197,265	1
<b>Net assets at end of year</b>	<b><u>\$59,316,000</u></b>	<b><u>(\$1,904,152)</u></b>	<b><u>\$57,411,848</u></b>	

**NOTES TO THE FINANCIAL STATEMENTS**

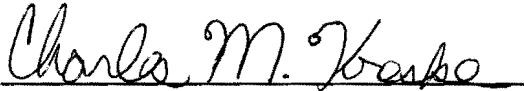
1. To reflect the certified public accountant's (CPA) audit adjustments made after the OIC Annual Report filing.

**ACKNOWLEDGMENT**

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Western Washington University Foundation 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, ARA, 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 that reads "Charles M. Kreske". The signature is written in black ink and is positioned above a solid horizontal line.

Charles M. Kreske, AFE  
Financial Examiner  
State of Washington

