

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION
OF THE CHARITABLE GIFT ANNUITY BUSINESS
OF
THE WHITWORTH FOUNDATION
SPOKANE, WASHINGTON

JUNE 30, 2013

Order No. 14-135
The Whitworth Foundation
Exhibit A

SALUTATION

Seattle, Washington
May 15, 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:

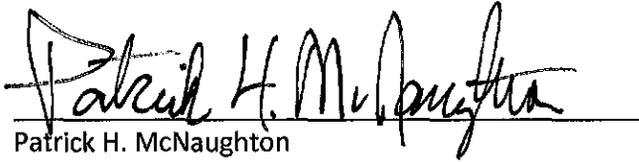
In accordance with your instructions and in compliance with the statutory requirements of Chapter 48.38 RCW, Charitable Gift Annuity Business, an examination was made of the corporate matters and financial records pertaining to the charitable gift annuity (CGA) business of

The Whitworth Foundation
of
Spokane, Washington

hereinafter referred to as "TWF" at its office, 300 West Hawthorne Road, Spokane, WA 99251. This report of examination is respectfully submitted showing the financial condition and related corporate matters of the CGA business of TWF 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 The Whitworth Foundation of Spokane, Washington. This report shows the financial condition of the CGA business and related corporate matters of The Whitworth Foundation as of June 30, 2013.

A handwritten signature in black ink, reading "Patrick H. McNaughton", written over a horizontal line.

Patrick H. McNaughton
Chief Examiner

8-4-14

Date

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SCOPE OF THE EXAMINATION

The examination covers the period January 1, 2008 through June 30, 2013. The scope of our examination focused only on the transactions and operations of the CGA business. TWF'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, TWF'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 Spokane office of TWF by examiners from the state of Washington.

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

TWF, established in 1972 under the laws of the state of Washington, was organized for the principal purpose of raising funds for the benefit of Whitworth University (WU).

Territory and Plan of Operation

On March 28, 1995, the OIC granted TWF a Certificate of Exemption No. 72 to conduct a CGA business in the state of Washington. There were 68 in-force annuity contracts as of June 30, 2013, of which 45 were issued to the residents of the state of Washington.

Total Net Assets

TWF's total net assets as of June 30, 2013 were \$9,299,310. This amount included unrestricted net assets of \$2,333,295. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

Growth

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

Schedule 1 – Statement of Financial Position

Year	Assets	Liabilities	Total Net Assets	Unrestricted	Temporarily Restricted	Permanently Restricted
2013	\$19,356,760	\$10,057,450	\$9,299,310	\$2,333,295	\$1,888,493	\$5,077,522
2012	18,704,739	9,986,069	8,718,670	2,294,643	253,487	6,170,540
2011	20,065,800	11,216,404	8,849,396	2,259,059	256,551	6,333,786
2010	17,327,342	9,626,787	7,700,555	2,218,107	238,546	5,243,902
2009	17,403,519	9,239,118	8,164,401	2,197,627	235,300	5,731,474

Schedule 2 – Statement of Activities and Changes in Net Assets

	2013	2012	2011	2010	2009
Total revenues	\$580,940	(70,726)	\$1,149,379	(455,682)	(1,703,422)
Total expenses	300	60,000	538	8,164	9,070
Increase (decrease) in net assets	580,640	(130,726)	1,148,841	(463,846)	(1,712,492)
Net assets at beginning of year	8,718,670	8,849,396	7,700,555	8,164,401	9,876,893
Net assets at end of year	<u>\$9,299,310</u>	<u>\$8,718,670</u>	<u>\$8,849,396</u>	<u>\$7,700,555</u>	<u>\$8,164,401</u>
Number of gift annuity contracts	68	75	77	77	75

AFFILIATED ORGANIZATIONS

TWF is an affiliate of Whitworth University. WU is a higher education institution founded and incorporated in 1890. The financial statements of WU and TWF have been presented on a consolidated basis with transactions between these entities being eliminated upon consolidation.

MANAGEMENT AND CONTROL

Management

The business affairs and property of TWF are managed by its Board of Directors (BOD). The members of the BOD consist of no less than two individuals who also serve as members of the Board of Trustees of WU. The Board of Trustees of WU elects TWF's BOD. Pursuant to the Restated and Amended Bylaws of TWF, dated June, 2013, the rights of the members include amending or restating the Articles of Incorporation or Bylaws of TWF. The officers of TWF consist of a president, a vice president, and a secretary/treasurer who are members of the BOD.

Board of Directors

The following individuals were directors as of June 30, 2013:

Peter Enkema, BOD President	Richard Lewis, BOD Vice President
Richard Barney	William Moore
Brian Benzel	Benson Nielsen
William Curry	Julie Olds
Mary Lee Nickoloff	William Fix
L. Jerald Sheffels	Frank Knott
Beck Taylor	Peter Tucker
Scott McQuilkin	

Officers

The following individuals were officers as of June 30, 2013:

Peter Enkema, President
Richard Lewis, Vice President
William Curry, Secretary/Treasurer

Tax Status

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

Conflict of Interest

BOD members, officers, certain staff and all committee members sign and file an annual certification statement with the president of TWF, setting forth any conflicts of interest when they are hired as well as any time the policy changes as a condition of employment. Any potential conflicts of interest pertaining to BOD members, officers, and committee members are brought to the BOD. In the case of staff members, potential conflicts of interest are brought forth to the President. No exceptions were noted.

ORGANIZATION RECORDS

The BOD meets a minimum of two times a year to discuss business which is pertinent to TWF. Minutes of the meetings of directors approve and support TWF's transactions and events. No exceptions were noted.

SEPARATE RESERVE FUND (SRF)

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

FINANCIAL STATEMENTS

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

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

**The Whitworth Foundation
Statement of Financial Position
June 30, 2013**

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
Assets			
Cash and cash equivalents	\$364,163	\$0	\$364,163
Long-term investments	17,624,998		17,624,998
CGA investments	1,367,599		1,367,599
Total Assets	<u>\$19,356,760</u>	<u>\$0</u>	<u>\$19,356,760</u>
Liabilities and Net Assets			
CGA liabilities	\$1,312,393	\$0	\$1,312,393
Other annuities payable	8,745,057		8,745,057
Total Liabilities	<u>10,057,450</u>	<u>0</u>	<u>10,057,450</u>
Net Assets			
Unrestricted	2,333,295	0	2,333,295
Temporarily restricted	1,888,493		1,888,493
Permanently restricted	5,077,522		5,077,522
Total Net Assets	<u>9,299,310</u>	<u>0</u>	<u>9,299,310</u>
Total Liabilities and Net Assets	<u>\$19,356,760</u>	<u>\$0</u>	<u>\$19,356,760</u>

The Whitworth Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2013

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
Total revenues	\$580,940	\$0	\$580,940
Total expenses	<u>300</u>		<u>300</u>
Increase (decrease) in net assets	580,640	0	580,640
Net assets at beginning of year	<u>8,718,670</u>		<u>8,718,670</u>
Net assets at end of year	<u><u>\$9,299,310</u></u>	<u><u>\$0</u></u>	<u><u>\$9,299,310</u></u>

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of The Whitworth Foundation during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner and Tarik Subbagh, CPA, CFE, MSBA, Property and Casualty 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,



Edsel Dino, AFE
Examiner-in-Charge
State of Washington

